

Minimum export price for rice economics essay

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SWOT ANALYSIS EXTERNAL CONDITIONS ie OPPORTUNITIES AND

THREATS

OPPORTUNITIES: 1. Pakistan: the 4th largest exporter and 11th largest producer of rice. 2. Agriculture based Economy of Pakistan with high export and investment potential 3. Variety of rice produced. 4. Role of China 5. Role of TDAP 6. Increasing population 7. Organic farming 8. Asian cuisine influence 9. New diet studies 10. Minimum Export Price 11. Role of India 12. Role of Philippines. THREATS: 1. Role of India's 11 2. Unpredictable Climate and Global warming 3. Shortage of gas in Pakistan 4. Role of Bangladesh 5. Lack of attention to the Agriculture Sector 6. Non comprehensive policies of the Government 7. Water issues. 8. Reluctance to move from traditional methods of farming 9. Increase in small farmers 10. Feudal Lords 11. Lack of infrastructure in rural areas 12. Economic and Political situation of Pakistan 13. Role of Urbanization 14. Falling value of the Pakistani rupee and role of Vietnamese currency 15. Increasing oil prices 16. No government support 17. Role of India in exporting rice further 18. Various duties and taxes imposed. OPPORTUNITIES:

1. Pakistan is the 4th largest exporter and 11th largest producer of rice:

Asian countries have 80 million ha of land, able to cater to 75% of the total demand of rice. Pakistan achieved phenomenal increase in rice production in Ayub Khan's era. After partition, the area under rice in Pakistan was 8, 56, 000 hectares which increased to 2. 4 million hectares in 1998. The rice production during this period increased from 737, 000 to 4. 6 million tonnes. Therefore, area and production increased by 1: 2 ratio. Pakistan produces 6. 22 million tonnes of rice on 5 million acres of land. Rice export has remained

the second largest foreign exchange earning commodity for Pakistan.

Pakistan exports 80percent of Super Basmati to European countries. Because Pakistan is claimed to be the 4th largest exporter and 11th largest producer, an inherent trust is built for Pakistan's supply of rice and its quality, which adds to our credibility.

2. Agro-based economy with high export and investment potential:

Pakistan is an agriculture based economy, with the majority of population living in rural areas and using agriculture as their source of income. This is an opportunity because as more farmers are present in agriculture, there is a greater chance of human investment in this sector. Even at the high political level, most of the leaders have lands in their name used for the purpose of agriculture. Rice is produced in Pakistan in Sindh (Larkana, Shikarpur, Dadu, Sukku, Shahdadkot, Badin, Thatta and Jacobabad). Major Basmati produced from Sindh is known as Sindh Basmati. Despite the demand of rice in South Africa, Senegal, Saudi Arabia, Kuwait, USA, Turkey, Sri Lanka, Australia, Malaysia, Indonesia, Philippines, Pakistan has a small share in these markets. Immense potential for investment is present in the Rice sector via development of Silos, Parboiled rice processing plants, quality polishing and processing. Firms like Engro, Millat, Guard, Mehran Rice etc are also involved in the production and trading of rice. Saudi Arab and USA are major demanders of parboiled rice (70%) therefore investment in this sector is an opportunity for Pakistan.

3. Variety of rice produced:

1) Cargo Rice: (BROWN RICE, HUSKED RICE) means rice obtained from paddy of which only the husk has been removed. This includes its whole grain, head rice, big broken, broken, and small broken. 2) Plain or White Rice: means rice obtained from paddy which has been husked and milled while by removing its bran layers. This includes its whole grain, head rice, big broken, broken, and small broken. 3) Parboiled Rice: may be husked or milled rice processed from paddy or husked rice that has been soaked in water and subjected to a heat treatment so that the starch is fully gelatinized, followed by a drying process. Pakistan produces varieties of rice, out of which following are the popular export varieties: Basmati: 1) Basmati 20002) Basmati - 3853) Basmati - 1984) Super Basmati5) Basmati 3706) Kernal7) Shaheen (Basmati)Rice Other Varieties1) IRRI - 62) IRRI - 93) PG (IRRI)4) KS 282these various varieties cater to various demands in different countries and because Pakistan produces all these, Pakistan has an edge as it can cater to demands from various countries and not be dependent on one quality.

4. Role of China:

Punjab Governor Makhdoom Ahmad Mehmood said that our rice exporters have good news in shape of Chinese interest in buying our product. He said that Chinese market had so much potential for our rice exporters (04-04-2013, Business Daily Recorder). Efforts of the Rice Exports Corporation of Pakistan to boost export of Pakistani rice has started yielding positive results as Tanzania and China have emerged as major Pakistani rice importing countries and a potential market for all varieties of rice. Recently Pakistan

rice export to China has manifested marked increase as record volume of non-basmati rice (72, 623 MT) to China worth \$30 million in just one month (January 2013) was exported during the current fiscal year. China has become a major market for Pakistani non-basmati rice.. (DAILY TIMES (14-03-2013)). " China has become a major market for Pakistani non-basmati rice. Rise in coarse rice export to China will increase the overall export volume from Pakistan", said Chairman Rice Exporters Association of Pakistan (REAP) Javed Ali Ghor.

5. ROLE OF TDAP:

Trade Development authority of Pakistan (TDAP) has announced to develop comprehensive program focused on promoting rice export to Central Asian States. Exhibition would be arranged with collaboration of rice exporters to showcase Pakistani rice. This is a good sign by TDAP for rice exporters as It would help exporters to earn more foreign exchange for the country. Punjab Government will soon hand over 5 acres of land for the establishment of Rice Technical Training Institute, where skilled manpower for the rice industry would be produced. TDAP can help by giving due share from EDF for the establishment of Technical Training Institute. TDAP has promised involvement of REAP (Rice Export Association of Pakistan) into EDF Board of administrators and also given due support for release of funds of Rs200 million, as asked by REAP, for the construction of Rice Technical Training Institute. (THE NATION (29-03-2013))6. INCREASING POPULATION: The growing population acts as an opportunity because it promises a steady demand (domestically as well as internationally) for rice in Pakistan, as rice is a staple food. The world's population increases in geometric progression

and therefore, this is an opportunity because increasing population means increasing taste differences amongst the different people and this is where the role of variety of rice comes in.

7. Organic Farming:

The want for increased yield to satisfy growing demand has led producers of rice to resort to using a mix of pesticides and fertilizers to control disease and insect attacks for their crops. Sales of organic food have increased more than six-fold worldwide in the last quarter of a century while organic production has just doubled during the same period. It shows an increasing demand supply gap. This is a window of opportunity to agriculture economy of Pakistan If the rice farmers shift towards Organic farming and production for rice, because this could be sold at higher prices means that farmers would earn higher profits. This attraction will pull in more farmers, convince them to improve their ways of farming and ultimately, because of the safe quality of rice, demand internationally may increase further, too benefitting our economy on the whole.

8. Asian cuisine influence:

Asian restaurant and food are gaining popularity all over the world. Asian recipes rely heavily on rice as their stable ingredient example Chinese food, porridge, black rice of Valencia. As Asian food becomes more popular, the demand for rice will also increase.

9. New diet studies:

The new diet studies have shown rice to be more nutritious than any other food. These researches for the health conscious people lead to an increase in

demand for rice, which is again a window of opportunity for the farmers, promising future stable demand.

10. Minimum Export Price for Rice:

Rice Export Association of Pakistan(REAP)'s role in fixing a minimum export price for rice is an opportunity because it promises for the farmers, a stable price for rice, and hence promises a steady amount of profits too. Therefore, it is also an incentive for farmers to increase their supply of rice and earn a higher revenue.

11. Role of India:

India has imposed ban on exports of non-basmati rice because of low production. This will lead to India importing the lag in non basmati supply to meet its local. India is currently negotiating with 3 countries for import of rice, which will increase the demand of rice in the international market. Further India has fixed the minimum export price of Basmati rice @ US\$ 900 MT. Pakistan can avail this opportunity and export the rice below this price.

12. Role of Philippines:

Pakistan has won a tender for supply of 50, 000 MT rice to Philippines as a result of bidding held on December 2, 2009. Philippines have also announced another tender for purchase of 600, 000 MT rice. Pakistan can avail this opportunity.

THREATS:

1. Role of India's 1121:

India is currently producing 1121 variety of rice which is of better quality than Pakistan's basmati rice. Due to this, it is highly demanded by the international market at a higher price as well. India has thus completely shifted to it, becoming a major competitor for Pakistan

2. Unpredictable Climate and Global warming:

Global warming is an international concern as it leads to higher temperature globally. That leads to melting of glacial in the seas and rivers, leading to floods. Pakistan has been known to be badly affected by floods in the Pakistan. Lower Sindh is a major producer of rice and is also the area most affected by floods, which affect the crops harvested in those areas. Rice needs a constant and specific supply of water. Too much water, caused by floods cause water logging and also brings with it various diseases. Unexpected climate also brings about droughts and famines, and as Sindh is a major producer of rice, it needs water supply constantly. Lack of water can ruin the crops sowed, and unexpected showers of rain can affect the crops too. Therefore, climate in Pakistan is a threat.

3. Shortage of gas in Pakistan:

Rice export orders are at risk due to unavailability of natural gas to produce 'parboiling rice' which may increase foreign exchange earnings by 15 percent with value addition. Rice Exporters Association of Pakistan (Reap) Vice Chairman Chaudhry Samee Ullah urged the Sui Northern Gas Pipelines Limited (SNGPL) authorities to ensure continuous and smooth gas supply to

rice millers and exporters on priority basis as export sector is the lifeline of our country. Samee Ullah demanded the GM SNGPL to formulate a comprehensive curtailment policy in consultation with relative stakeholders sector. " The paddy harvesting season starts in November and we require a consistent gas supply to dry wet Paddy entering the markets. A consistent gas supply in November-December-January would ensure that we save our agriculture grains from damages or fungal attacks that produce Mycotoxins (A Carcinogenic and Genotoxic Disease). Saving the grains from damages is the highest priority during winter and this is unachievable in absence of gas supplies" added Samee Ullah.

He also said that rice sector is one of major fuel providers through 'Husk Supplies' in local markets. Unfortunately, the husk is not available in November, December and unless we dry paddy through gas availability, we may ensure better supply of husk in local markets. (DAILY BUSINESS RECORDER (09-04-2013))

4. Role of Bangladesh:

Farmers in Bangladesh are likely to produce a new variety of rice seeds within next year that will mature in 105 days or three-and-a-half months, the quickest among all the varieties currently out on the fields. The rice seed, which will be suitable for cultivation during the aman season, was developed by Bangladesh Rice Research Institute (BRRI) through hybridisation of a local rice variety with the high-yielding BRRI Dhan-39. Moreover, Bangladesh will give its farmers free fertiliser and seeds to boost cultivation of rice watered by rain and so protect the environment. Bangladesh, the world's fourth biggest producer of the grain, consumes almost all its production at home. In <https://assignbuster.com/minimum-export-price-for-rice-economics-essay/>

January, amid soaring prices of the staple, it backtracked on a plan to scrap a four-year old ban on rice exports.

5. Lack of attention to the Agriculture Sector:

To eradicate soil erosion, no mode has been adopted to bring back the life to soil after harvesting rice crops. Therefore, the fertility of soil is decreasing day by day. The thickness of fertile layer of soil in Pakistan is more than 6 inches but the average yield is lower than other countries where layer of fertile soil is only 4 inches. Government investment in the Agriculture sector would help use improve the rice exported abroad, however, that has been ignored.

6. Non Comprehensive Policies of Pakistan:

18 billion in budget was allocated for agricultural sector of Pakistan but the withdrawal of subsidy on pesticides and electricity on the conditions of IMF has done serious damage to this sector. America and European Union are giving a huge amount of subsidy to their farmers which increase their competitiveness, compared to ours.

7. Water issues:

Water wastage is very high in our country. The archaic method of flood irrigation is still in practice in whole of the country which wastes almost 50 to 60 percent of water. Water is needed for rice production. This wastage of water leads to water logging in some areas, and the other areas being completely deprived of water, affecting the supply of rice.

8. Reluctance to move from traditional methods of farming:

Owing to old methods of cultivation and harvesting, Pakistan has low yield per acre that means the average crop in Pakistan is just 1/4th of that of advance states whereas Nepal, India and Bangladesh are using modern scientific methods to increase their yield per acre. For this purpose, these states are using modern machines to improve their yield otherwise the Pakistan's rice producers will lose out their market share to the international exporters.

9. Increase in small farmers:

The small farmers are increasing in our country as the lands are dividing generation by generation. These small farmers do not get credit facilities to purchase seeds, pesticides, fertilizers etc. Additionally, a large area of land for rice is owned by feudal and the farmers, who work on their lands, are just tenants. This uncertain situation of occupancy neither creates incentive of work nor does attract capital investment.

10. Feudal Lords:

The existence of feudal lords and their connections with the leading political parties of Pakistan are a threat as they force up the prices of rice stock by using influence and making sure their stock is sold before that of the small farmers. This is a threat as it negatively affects the small farmers and their supply. The feudal landlords are also in possession of very large land, and because they do not know the ways of farming, much of the land is left to waste.

11. Lack of infrastructure in rural areas:

The only mean of communication in rural areas is T. V or radio. Via government expenditure in this sector, programs related to rice sowing, germination and planting can be aired so that the farmers can learn of them on TV. However, these programs would need to be cast in local and regional levels. Lack of guidance is the main reason of farmers backwardness. This is because of communication gap between well qualified experts and simple farmers. Availability of these experts is not ensured in rural areas as they are reluctant to go there. Because of this, the farmers have not learnt the best techniques, which affect their output.

12. Economic and Political situation of Pakistan

The political situation of Pakistan deters foreign investment. Also, this situation causes strikes affecting the output and sales of farmers and their profits. This has led to farmers willing to shift to Bangladesh. Lack of electricity and gas adds to the pressure.

13. Role of Urbanization:

Urbanization is leading to rural farmers shifting to Urban areas and moving away from traditional practices such as farming and rice production. This is a threat because Pakistan is a agro based country and our major export revenue comes from there. This will affect our economy too.

14. Falling value of the Pakistani rupee and role of Vietnamese currency and prices:

The devaluation of Vietnamese currency may affect the price of rice in international market. Vietnamese rice price is expected to fall as the

government has stopped its intervention by fixing a higher price. This will make Vietnam able to compete in the rice market with India and Pakistan due to their lower priced rice.

15. Increasing oil prices:

Increase in oil prices will affect the farmers by increasing their cost of production, reducing their profits. This would mean they would expect subsidy from the government or increase their prices, which would affect demand (locally and internationally) giving way to the other international competitors.

16. No government support:

Lack of government support in the case of provision of subsidies and tax incentives and reduction of duties lead to increased price for rice exporters ultimately increasing their cost of production, lowering profits or leading to higher prices. Other countries, aided by the government can sell internationally at lower prices, again affecting our share in the international market.

17. Role of India in exporting rice further:

Indian living abroad especially in Dubai purchase basmati rice from Pakistani exporters and after value addition they export it to other countries on high price with their own brand name

18. Various duties and taxes imposed:

These pose a threat because duties and taxes increase the cost for farmers, again affecting their profits and the prices rice is sold and exported at, giving way for internationally competitors to sweep the market share.

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