Regulation of Rice Prices

Why in news?

The government has announced the launch of “Bharat rice” to bring down rice prices in the market.

Status of paddy production in India
• **Cultivation period**- Paddy crop is grown both in kharif and rabi seasons in the country, rice is extracted from the paddy crop during harvesting. • **Leading rice-producing States**- West Bengal, Uttar Pradesh, Andhra Pradesh, Punjab, Tamil Nadu, Bihar, Chhattisgarh, and Odisha. • **Harvested area**-In 2022-2023, the area harvested for rice was over 47 million hectares in India, it is the leading rice producer worldwide based on area harvested, this was followed by China. • **Production**- In 2022-23, India produced 135 million tonnes of rice, which is 62.84 lakh tonnes higher than the previous year. China is the top rice producing country followed by India in terms of production. • **Southern States**- The major rice consuming States are said to have suffered a drop in paddy production because of inadequate rainfall. In Tamil Nadu, the production may drop by almost 30%, in Karnataka there is almost 25% decline, claim traders and farmers. • **Northern States**- The rice production including basmati and non-basmati is up to 15%.

What are the reasons for the price increase in rice?

- **Price trends**-Retail rice price has surged by 14.51% in 2023. Basmati rice prices dropped by 15% but paddy prices in southern States have risen.
- **Inflation-** The rice inflation is high in the varieties that is largely preferred by consumers.
- **Increase in MSP**- The Minimum Support Price for rice has witnessed a steady rise over the past five years, this means that the farmers get more money for their produce, but it also increases the cost of rice for the consumers.

  The Minimum Support Price (MSP) for a commodity refers to the price at which the government is obligated to purchase the produce from farmers in the event that the market price falls below this threshold.

- **Increase in operational costs-** The overall costs associated with the rice supply chain, including transportation and storage have been on the rise.
- **Production decline in consuming States-** States with high rice consumption have experienced a reduction in the production of rice varieties consumed in significant quantities due to inadequate rainfall and drought conditions.
- **Demand-supply gap**- Tamil Nadu and Karnataka, which together account for 15% of

India's rice consumption, have seen a drop of 30% and 25% in paddy production, respectively.

- **Surge in non-basmati rice exports**- Despite government interventions, the export of non-basmati rice has witnessed a substantial increase over the last 3 years.
- **Stocks from previous season**- The rice available in the retail market is primarily from the previous season's stock, with a shortfall in arrivals, there is an anticipation that prices may witness further increases in the coming months as the market adjusts to the current demand-supply dynamics.

What are the measures taken by the government in regulating price rise?

- **Mandates online reporting**- Traders, wholesalers, retailers, chain retailers and millers have been mandated to report their rice stocks online.

  The reporting encompasses various categories such as broken rice, non-basmati white rice, par-boiled rice, basmati rice, and paddy.

- **Retail sale of Bharat rice**- The government has taken a proactive step by launching the retail sale of 'Bharat Rice' directly to general consumers.
- This initiative aims to ensure a stable supply of rice to the public at a set price of ₹29 per kg, potentially mitigating some of the inflationary pressures on rice prices.
- **Restriction on export-** In 2022, the government imposed a ban on the export of broken rice, a move aimed at securing domestic availability.
  - Additionally, a 20% duty was levied on par-boiled rice to control its external trade.
  - Non-basmati white rice exports were prohibited from July 2023, further emphasizing the government's commitment to safeguarding domestic rice supplies.
- **Paddy procurement**- The government has actively engaged in procuring paddy during the current Kharif marketing season, this strategic procurement amounts to 600 lakh tonnes, contributing to a robust central pool of 525 lakh tonnes of rice.
- **Meet welfare scheme requirements**- The accumulated rice in the central pool exceeds the annual requirement for welfare schemes, standing at almost 400 lakh tonnes. This surplus positions the government well to meet the needs of various social welfare programs.
- **Open market sales**- To address market dynamics and offer rice to a broader consumer base, the government has sold 1.66 lakh tonnes of rice in the open market, this approach ensures the availability of rice beyond welfare schemes.

What lies ahead?

- There is a demand for rice for consumption, ethanol production and cattle feed, the government should prioritize selling rice for consumption over other uses.
- The stock data collected by the government is expected to give an indication of the stock levels, this could collect data for the most consumed varieties too before deciding the future course of action

References

1. The Hindu- Regulation of rice prices
2. Statista- Rice market in India

