

Voluntary Report – Voluntary - Public Distribution

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Report Name: India Imposes a 20 Percent Export Duty on Parboiled Rice and Reviews Basmati Rice's Minimum Export Prices

Country: India

Post: New Delhi

Report Category: Agricultural Situation, Agriculture in the News, Policy and Program Announcements, Grain and Feed

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Report Highlights:

On August 25, 2023, India's Ministry of Finance issued Notification No. 49/2023 (Customs), notifying with immediate effect that the Indian government is imposing a 20 percent export duty on parboiled non-basmati rice (PNB), harmonized tariff system (HS) code 1006.30.10. This notification highlights the Indian government's attempt, through a series of restrictive export control measures, to control rising domestic food prices.

GENERAL INFORMATION

On August 25, 2023, India's Ministry of Finance issued [Notification No. 49/2023 \(Customs\)](#), notifying with immediate effect that the Indian government is imposing a 20 percent export duty on parboiled non-basmati rice (PNB), harmonized tariff system (HS) code 1006.30.10 (see, Appendix I). This notification highlights the Indian government's attempt, through restrictive export control measures, to control rising domestic food prices. Prime Minister Narendra Modi's National Democratic Alliance (NDA) led government faces challenges in containing food price inflation in the run-up to Indian state elections this December 2023-January 2024 and upcoming national elections being held in April or May 2024. Even a moderate increase in food inflation, which accounts for nearly half of the consumer price basket, could influence voters, and give opposition parties an advantage in these elections.

WHAT, SO WHAT, WHAT NOW

India Imposing Export Duties and Restrictions: The Ministry of Finance's Notification No. 49/2023 (Customs) (August 25, 2023) imposing a 20 percent export duty on PNB rice is one of the Indian government's latest export restrictive measures. India similarly issued on August 25, 2023, [Notification No. 50/2023 \(Customs\)](#), which notifies conditional exemptions to new exports (see, Appendix II). Measures here include establishing rice export consignments custom stations, as well as the requirement that export consignments be backed by irrevocable letters-of-credit dated prior to August 25, 2023. These notifications build upon the Indian government's decisions to ban exports of non-Basmati white (NBW) rice (HS 1006.30.90) on July 20, 2023, and the export ban on broken rice (HS 1006.40.00), and the levying of a 20 percent export duty on NBW rice effective September 8, 2023. FAS New Delhi (Post) sources inform that by imposing a 20 percent export duty on PNB rice, along with the existing export bans on NBW rice and broken rice, the Indian government's measures impose restrictions on nearly 80 percent of India's total rice exports; potentially hampering overseas markets' food security.¹

Basmati Rice Faces Minimum Export Prices: On August 27, 2023, India's Ministry of Commerce and Industry (MOCI) issued a press release pertaining to the [introduction of additional safeguards for basmati rice exports to prevent exports of NBW rice by means of its misclassification as basmati rice](#). Alleging purposeful misclassification, and thereby illegal exports of NBW rice under the HS codes assigned to parboiled and basmati rice, the Indian government is imposing a minimum export price (MEP) for basmati rice exports. The government has instructed the MOCI/Agricultural and Processed Food Exports Development Authority (APEDA), responsible for regulating basmati rice exports, to issue Registration-cum-Allocation certificates to contracts to basmati rice consignments with values exceeding \$1,200 per metric ton (MT) only. For contracts falling below the \$1,200/MT threshold, these are to be placed in suspension for further evaluation by a committee charged with reviewing the variation in prices.

India has effectively brought the bulk of its rice exports under some kind of export restrictive measure. With India accounting for 45 percent of global rice exports in recent years, its measures are likely to fuel an increase in global rice prices, impacting African and South Asian countries' food security.

¹ India's calendar year (CY) 2022 (January-December) rice exports of 22.1 million metric tons (MMT) included 7.5 MMT of parboiled rice, 6 MMT of non-basmati white rice and 3.9 MMT of broken rice, that together account for roughly 80 percent of total rice exports. Basmati rice (HS 1006.30.20) accounts for nearly 4 MMT with the balance being paddy/brown rice.

Media Reports Measures to Control Food Inflation, Concerns with the Rice Crop: Indian media reports indicate that the Indian government is imposing additional export restrictions due to concerns about excess rains in Punjab and Haryana states, as well as with weak rains in east India. Unfavorable rainfall will negatively affect the upcoming rice harvest's prospects. The media is also flagging the Indian government's measures as a response to concerns of growing food inflation becoming a political rallying point for the opposition in the upcoming elections. Post sources inform that the trade is petitioning the Indian government against these policy moves, particularly regarding the MEP for basmati rice and the procedural review of export contract falling below the MEP.

APPENDIX I – INDIA, MINISTRY OF FINANCE NOTIFICATION NO. 49/2023 (CUSTOMS)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)
Notification No. 49 /2023-Customs

New Delhi, the 25th August, 2023

G.S.R.(E). - Whereas, the Central Government is satisfied that export duty should be levied on certain articles and that circumstances exist which render it necessary to take immediate action.

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 8 of the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act), the Central Government, hereby directs that the Second Schedule to the Customs Tariff Act shall be amended in the following manner, namely: -

In the Second Schedule to the Customs Tariff Act, after Sl. No. 6B and the entries relating thereto, the following Sl. No. and entries relating thereto shall be inserted, namely: -

(1)	(2)	(3)	(4)
"6C.	1006 30 10	Rice, parboiled	20%";

2. This notification shall come into force with immediate effect.

[F. No. CBIC-190354/161/2023-TRU]

(Amreeta Titus)
Deputy Secretary

APPENDIX II – INDIA, MINISTRY OF FINANCE NOTIFICATION NO. 50/2023 (CUSTOMS)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)
Notification No. 50/2023-Customs

New Delhi, the 25th August, 2023

G.S.R.(E). - In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 55/2022-Customs, dated the 31st October 2022, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 796(E), dated the 31st October 2022, namely:-

In the said notification, -

- (i) in the Table, after S. No. 2 and the entries relating thereto, the following S. Nos. and entries shall be inserted, namely: -

(1)	(2)	(3)	(4)	(5)
"2A.	1006 30 10	Rice, parboiled	Nil	5
2B.	1006 30 10	Rice, parboiled	Nil	6";

- (ii) in the Annexure, after Condition number 4 and the entries relating thereto, the following Condition numbers and entries shall be inserted, namely: -

"5.	Rate of duty shall come into force on the 16 th day of October, 2023
6.	(i) Goods meant for export shall have entered the customs station for the purpose of exportation before the 25 th day of August, 2023, and an order permitting clearance has not been issued by the proper officer; and (ii) Goods meant for export shall be backed by irrevocable Letter(s) of Credit, wherein the said letter(s) of credit has been opened before the 25 th day of August, 2023, and the message exchange date between the Indian and Foreign bank/swift date should be before the 25 th day of August, 2023, and such Letter(s) of Credit should have been authenticated by the Recipient Bank. "

[F. No. CBIC-190354/161/2023-TRU]

(Amreeta Titus)
Deputy Secretary

Note: The principal notification No. 55/2022-Customs, dated the 31st October 2022, was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i), *vide* number G.S.R. 796(E), dated the 31st October 2022, and was last amended *vide* notification No. 31/2023-Customs, dated the 20th April, 2023, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i), *vide* number G.S.R. 309(E), dated the 20th April, 2023.

Attachments:

No Attachments.