VIS

Credit Rating Company Limited

RICE SECTOR REPORT

A. MACROECONOMIC OVERVIEW

Pakistan's macroeconomic environment has moved towards gradual stabilization and recovery following the significant external and fiscal pressures experienced during 2022–23. Real GDP growth was estimated at 3.7% in FY2026, with economic activity expected to continue expanding at a moderate pace in FY2027, although growth remains below the level required to generate a sustained improvement in per-capita income and employment. Inflationary pressures have resurfaced, with CPI inflation reaching 11.1% in August 2026, driven largely by higher food, energy and transportation costs, which are expected to continue affecting consumer purchasing power and corporate input costs. The SBP policy rate currently stands at 11.5%; while monetary conditions have eased considerably from the recent crisis period, relatively high interest rates continue to constrain private-sector borrowing and investment. The external position has strengthened considerably, supported by higher remittances, improved foreign-exchange reserves and greater exchange-rate stability. Total liquid foreign-exchange reserves stood at around US$26.8 billion in September 2026, while the rupee has remained relatively stable, although renewed pressure could emerge from higher oil prices, increased imports or weaker external financing. Remittances remain a key source of foreign exchange, reaching US$41.6 billion in FY2026 and continuing to grow during the first two months of FY2027, thereby providing an important buffer for the external account and supporting domestic consumption. Fiscal consolidation has also improved the government's fiscal position; however, high debt-servicing costs and a relatively narrow tax base continue to constrain fiscal flexibility. Energy remains a key macroeconomic vulnerability given Pakistan's dependence on imported fuel, with higher international oil prices capable of simultaneously increasing inflation, production and transportation costs, widening the current-account deficit and placing pressure on the exchange rate. The ongoing Middle East conflict has further increased uncertainty around international oil prices, shipping and logistics costs, remittances and external demand, creating additional pressures. Going forward, sustained fiscal discipline, continued IMF engagement, improved tax mobilization, energy-sector reforms and higher private investment will be critical for transitioning towards higher and more sustainable economic growth.

B. GLOBAL RICE INDUSTRY

Global production has remained around 540 million tonnes in recent years, reaching approximately 545 million tonnes in 2024/25. Global consumption continues to expand, supported by population growth, urbanization and rising food-security requirements, particularly in emerging markets. International trade represents a relatively small proportion of total global consumption; however, changes in the exportable surplus of major producing countries can have a disproportionate impact on international prices and trade flows.

Global Rice Production Data (in million metric tons)					
Countries	MY21	MY22	MY23	MY24	MY25
China	148.99	146.95	144.62	145.28	146.33
India	129.47	135.76	137.83	150.18	154.02
Bangladesh	35.85	36.35	37.00	36.6	37.65
Indonesia	34.4	33.9	33.02	34.1	33.8
Vietnam	26.67	27.14	27.02	26.85	26.2
Thailand	19.88	20.91	20.00	20.84	20.7
Burma	12.	11.8	12.3	11.9	12.00
Philippines	12.54	12.63	12.33	12.37	12.35
Pakistan	9.32	7.32	9.86	9.72	10.00
Cambodia	6.56	7.00	8.05	8.49	8.1
Rest of the World	78.1	78.18	81.6	85.96	84.76
Total	514.18	516.94	523.81	542.29	545.91

The global rice industry is highly concentrated geographically, with China and India being the two largest producers. India is also the dominant participant in international trade and has emerged as the world's largest rice exporter, supported by its large cultivated area, competitive production costs, extensive milling capacity and broad range of rice varieties. Thailand, Vietnam and Pakistan are other major exporters, while Myanmar and Cambodia have gained importance in international markets. China, despite being one of the world's largest producers, is primarily focused on meeting its substantial domestic consumption requirements.

Competition in the global rice market is primarily driven by price, quality, variety, availability, freight costs, milling efficiency and reliability of supply. India possesses a significant scale and cost advantage due to its extensive production base and large exportable surplus. It enjoys a strong position in both basmati and non-basmati segments, while Pakistan has an established position in basmati and premium aromatic rice. Thailand and Vietnam are major competitors in non-basmati and fragrant rice markets, with their competitive positions supported by established export infrastructure and access to major Asian and Middle Eastern markets. The United States remains an important exporter of long-grain and medium-grain rice, particularly to markets in the Americas, Middle East and selected Asian destinations.

Major import demand comes from Philippines, Saudi Arabia, United States, China and Iraq. Trade flows remain sensitive to domestic harvests, government food-security policies, export restrictions, exchange rates and global prices, resulting in periodic shifts in both export availability and import demand.

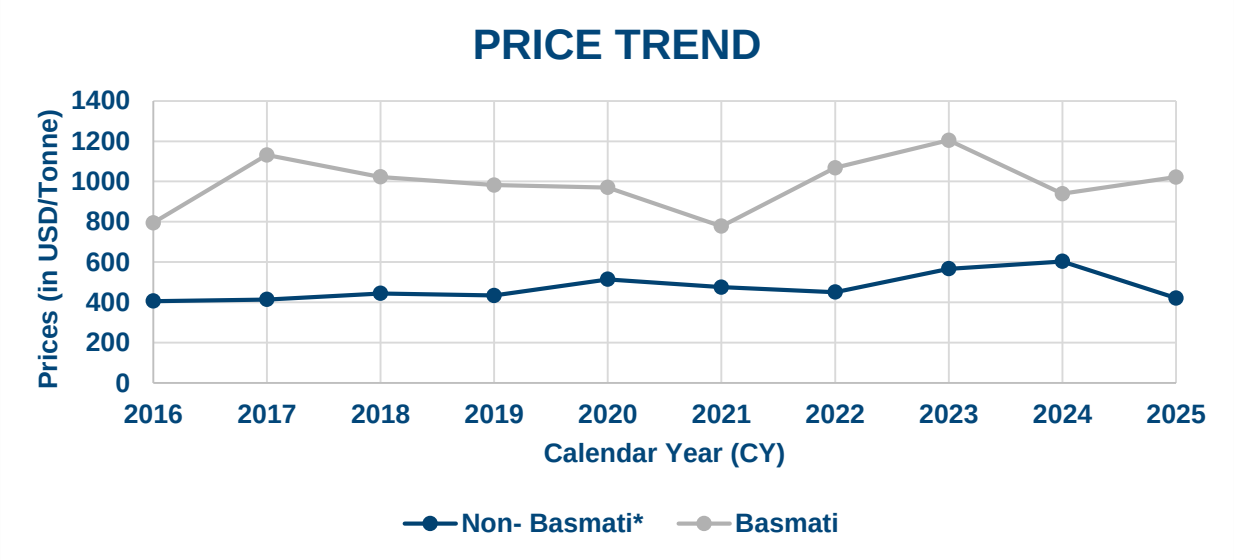
GLOBAL RICE EXPORTS, 2025		
Country	Rice exports in 2025 (US$)	% of Total Rice Exports
India	USD 12.0 billion	35.9%
Thailand	USD 4.5 billion	13.4%
Vietnam	USD 3.0 billion	8.9%
Pakistan	USD 2.4 billion	7.2%
United States	USD 1.9 billion	5.7%

GLOBAL RICE IMPORTS, 2025		
Country	Rice imports in 2025 (USD)	% of Total Imports
Philippines	USD 1.7 billion	5.0%
Saudi Arabia	USD 1.7 billion	4.9%
United States	USD 1.6 billion	4.7%
Mainland China	USD 1.4 billion	4.2%
Iraq	USD 1.4 billion	3.9%

Global rice prices are primarily driven by the balance between production, consumption and exportable surpluses**,** with inventories, weather conditions, government procurement policies, exchange-rate movements and trade restrictions also influencing price movements. Prices moderated during 2025 as global supplies remained ample and India progressively removed earlier export restrictions**,** increasing export availability and intensifying competition among major suppliers. This downward pressure continued into early 2026, although prices have subsequently shown some recovery amid stronger import demand and concerns over production and weather conditions. Going forward, international rice prices are expected to remain volatile

and highly sensitive to crop conditions and export policies in India, Thailand, Vietnam and Pakistan, as well as global inventories, freight costs and demand from major importing market.

RICE PRICES



*As per REAP

The global rice industry is moving towards greater product differentiation, quality, traceability and processing standards, with rising demand for premium aromatic varieties such as basmati. Climate change remains a key structural risk, with increasing exposure to floods, droughts, heat stress and water shortages, driving adoption of climate-resilient seeds, efficient irrigation and mechanization. Technology adoption in farming, milling, sorting and packaging is also expected to improve yields, reduce post-harvest losses and support access to higher-value markets. The global medium-term outlook remains supported by population growth and rising rice consumption in Africa, Asia and the Middle East. However, competition among major exporters and international price volatility are expected to persist.

C. LOCAL RICE INDUSTRY

Pakistan is a major global rice producer and exporter, with the sector contributing significantly to agricultural incomes, agro-processing activity and foreign-exchange earnings. The industry is structurally export-oriented, with domestic consumption well below production and a substantial surplus available for international markets. Rice production is concentrated in Punjab and Sindh, which together account for the overwhelming majority of national output. Punjab is the principal basmati-producing region, particularly across Gujranwala, Hafizabad, Sheikhupura, Sialkot and

Narowal, while Sindh is a major producer of non-basmati and IRRI varieties, particularly in Larkana, Jacobabad, Shikarpur, Dadu, Thatta and Badin. This concentration has supported the development of established procurement, milling and export clusters, although it also exposes the sector to localized water and climate risks.

Production has remained relatively strong despite annual fluctuations, with milled-rice output increasing from around 7.3 million tonnes in 2022-23 to approximately 9.7 million tonnes in 2024-25, while 2025-26 production is estimated at around 9.4 million tonnes.

PAKISTAN RICE PRODUCTION	
Year*	Rice Production (Metric Tonnes)
2022-2023	7.3 million
2023-2024	9.87 million
2024-2025	9.72 million
2025-2026	9.4 million

*MY

The processing base is extensive but fragmented, comprising traditional and semi-automatic mills alongside modern integrated facilities with drying, grading, optical sorting, polishing and automated packaging capabilities. The industry consequently exhibits considerable variation in processing efficiency, quality and financial strength. Competition exists across a large number of millers and exporters, with established participants including Matco Foods, Guard Agricultural Research & Services, Garibsons, Galaxy Rice Mills, Meskay & Femtee, K.K. Rice Mills and Reem Rice Mills**.** No single player dominates the market, with competitive positioning primarily determined by access to paddy, processing efficiency, product quality, export relationships and pricing.

Pakistan's rice exports have expanded materially over the longer term, although with considerable cyclical variation. As shown in the table below, export volumes increased from around 3.6 million tonnes valued at US$1.6 billion in FY17 to 4.8 million tonnes in FY22, before declining in FY23. Exports then reached an exceptional 6.0 million tonnes worth US$3.9 billion in FY24**,** supported by strong international demand and restrictions on Indian rice exports. Performance remained elevated in FY25 at around 5.8 million tonnes and US$3.4 billion**,** moderating to 4.2 million tonnes in FY26. The exceptional performance during FY24–FY25 reflected particularly favorable international market conditions. The subsequent easing in export performance reflects the normalization of global supply following the

PAKISTAN RICE EXPORTS BY SEGMENT			
MY	Basmati Export (MT)	Non-Basmati Export (MT)	Total Export (MT)
2021-2022	750,517	4,126,674	4,877,191
2022-2023	595,120	3,122,439	3,717,559
2023-2024	772,725	5,238,258	6,010,983
2024-2025	808,643	5,009,017	5,817,660
2025-2026	790,000	3,500,000	4,290,000

removal of India's export restrictions. Increased availability from India has intensified competition, particularly in non-basmati markets, contributing to lower international prices and reduced export volumes for Pakistan. Basmati and non-basmati segments have consequently exhibited different dynamics**:** basmati, particularly Super Kernel and PK-1121, remains Pakistan's key premium product and benefits from an established reputation in the Middle East, UK and selected European markets, while non-basmati rice competes more directly with India, Vietnam and Thailand on price and availability. The relatively higher value of basmati provides greater scope for margin preservation and product differentiation, although its production is more sensitive to climatic conditions and quality requirements.

D. KEY SECTOR RISKS

The sector remains exposed to international price volatility, export-market concentration, competition from major suppliers, climate and water availability, energy and logistics costs and significant seasonal working-capital requirements**.** Paddy procurement represents the principal cost for millers, while the need to build inventories around the harvest creates financing and inventory-value risks when international prices decline. Climate-related disruptions, including floods, heat stress, irregular rainfall and water shortages, can affect both crop yields and quality. Increasing food-safety, traceability and residue requirements in international markets are also raising the importance of modern processing and quality-control systems.

E. BUSINESS RISK

The rice sector's business risk reflects exposure to commodity price volatility, crop availability, export-market conditions and intense regional competition. The sector operates on relatively moderate margins, although gross margins improved to in 2025 from 2022. Net margin also recovered in 2025 after falling sharply in 2024, supported by declining interest rates. However, the sharp decline in asset turnover to in 2025**,** from preceding three years, points to weaker asset utilization and higher working-capital intensity. Overall**,** margin resilience is supportive, but earnings remain vulnerable to international rice prices, export demand and procurement costs**.**

SECTOR MEDIAN*				
Years	2022	2023	2024	2025
Return on Average Assets (%)	7.70%	7.10%	2.58%	5.84%
Asset Turnover (%)	250.65%	228.79%	235.71%	139.95%
Gross Margin (%)	9.48%	10.84%	10.28%	11.47%
Net Margin (%)	3.41%	3.11%	1.01%	3.31%
Funds from Operations (FFO) to Total Debt (x)	0.24	0.27	0.07	0.12
FFO to Long-term Debt (x)	0.34	0.41	9.01	85.92
Leverage (x)	1.19	1.20	1.32	1.45
Gearing (x)	0.90	0.79	0.73	1.13
Debt Service Coverage Ratio (DSCR) (x)	2.37	1.95	1.19	1.97
Short-term Debt Coverage (x)	1.47	1.88	2.12	1.20
Current Ratio (x)	1.27	1.32	1.28	1.29
Quick Ratio (x)	0.70	0.70	0.65	0.57

*From VIS database

F. FINANCIAL RISK

Financial risk is assessed as **moderate**, with rising leverage and relatively weak cash-flow coverage partly offset by adequate debt servicing. Median leverage increased to 1.45x and gearing to 1.13x in 2025, indicating a gradual weakening in capitalization**.** FFO-to-total debt remained low at 0.12x**,** highlighting limited cash-flow coverage of overall debt. DSCR, however, recovered, providing some comfort. Liquidity remains adequate, reflecting the sector's dependence on inventory conversion**.** Overall, working-capital requirements, short-term funding and commodity-price volatility remain the key financial risk considerations.

G. OUTLOOK

Looking ahead, Pakistan retains a strong structural position in the global rice market given its established production base, processing infrastructure and international recognition in basmati. However, export growth is likely to be more challenging under normalized global supply conditions, particularly with India once again operating as a major exporter. The medium-term outlook will therefore depend increasingly on yield improvement, efficient water use, processing and quality enhancement, cost competitiveness and market diversification. Expansion into Africa and Central Asia, alongside continued development of premium basmati and value-added products, could provide avenues for volume and margin growth.

Sources:

Source: https://www.finance.gov.pk/survey/chapter_26/Complete_PES2025_26.pdf

Source:https://www.pbs.gov.pk/wp-content/uploads/2020/07/Monthly-Review-August-2026-1.pdf

Source: https://www.sbp.org.pk/assets/document/forex.pdf

Source: https://www.worldstopexports.com/rice-imports-by-country/

Source: https://www.worldstopexports.com/rice-exports-country/

Source- Economic Research – United State Department of Agriculture

http://www.amis.pk/Reports/IntlCommodityPrices.aspx: Source FAO, Index Mundi.com

Source: https://reap.com.pk/exporthistory

Source:https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Grain%20and%20Feed%20Update_Islamabad_Pakistan_PK2024-0007

Source:https://wdi.worldbank.org/customtablepreviewfixedheader.aspx?tableNo=6.5&utm_source=chatgpt.com

Source: https://www.fas.usda.gov/data/gain report/2026/07/Grain%20and%20Feed%20Update_Islamabad_Pakistan_PK2026-0007.pdf

Disclaimer: VIS has exercised due diligence in the preparation of this report. The information contained in the report has been obtained from sources we believe to be reliable, however, we do not guarantee its accuracy, completeness, or that the figures provided are exact.