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Oilseeds and Products

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Report Highlights:

Bangladesh's imports of edible oil climbed 6 percent to 855,000 tons in MY 2002/03. Imports are expected to go up further to 870,000 tons in 2003/04, with soybean oil continuing to hold its dominant market share.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

SECTION I - SITUATION AND OUTLOOK [Page 2 of 9](#)

 Production [Page 2 of 9](#)

 Consumption [Page 2 of 9](#)

 Trade [Page 3 of 9](#)

 Vegetable Oil: Season Average Wholesale Price per Ton in Dhaka [Page 4 of 9](#)

 Policy [Page 5 of 9](#)

SECTION II - STATISTICAL TABLES [Page 6 of 9](#)

 Table 1: Commodity, Oil Palm, PSD Table [Page 6 of 9](#)

 Table 2: Commodity, Oil Palm, Import Matrix Table [Page 7 of 9](#)

 Table 3: Commodity, Oil Soybean, PSD Table [Page 8 of 9](#)

 Table 4: Commodity, Oil Soybean, Import Matrix Table [Page 9 of 9](#)

SECTION I - SITUATION AND OUTLOOK

Production

Bangladesh oilseeds production in 2002/03 is estimated at 348,000 tons, 4.5 percent higher than in 2001/02. This total is comprised of 255,000 tons of mustard, 38,000 tons of peanuts, 18,000 tons of flax/linseed, and 37,000 tons of cottonseed. Additionally, about 4,000 tons of soybeans and 1,000 tons of sunflower seeds were produced, but were not included in the total as they are not crushed for edible oil extraction. Mustard production, which contributes about 74 percent of the total oilseeds output, increased by 9 percent this year due to higher yields in favourable weather conditions and increased seeding versus other minor oilseed crops. Assuming normal weather conditions, 2003/04 oilseeds production is forecast steady at 348,000 tons, with mustard gaining share at the expense of other oilseed crops.

Soybean and sunflower are relatively new crops, grown on a small scale with assistance from the Agricultural Extension Department and some non-governmental organizations. Even though the Bangladesh climate is favourable to their production, these crops are unlikely to comprise much of future oilseed production, as they have less economic benefits when compared to rice, wheat, and vegetables. Bangladesh also lacks the requisite oil extraction technology. The poultry industry consumes almost the entire soybean harvest as full fat soy meal.

Total oilseeds crush in 2002/03 is estimated at 435,000 tons, about 9 percent less than in 2001/02, due to significantly lower imports of rapeseed. Imports were down on account of the increased import price and unfavourable tariff policy. Locally produced oilseeds are crushed in small-scale units using inefficient indigenous technology. Imported rapeseeds are crushed in expellers commonly called oil mills, most of which are 15-30 years old, have a poor extraction rate, and a capacity utilization of less than 50 percent. Before crushing, local mustard seeds are usually blended with rapeseeds to add a pungent smell and taste, and then the oils produced out of those are sold as mustard oil. Due to the inefficiency of the crushing technology, locally produced oil meals contain a high percentage of oil; they are therefore not suitable for poultry feeding, but instead are used as cattle feed. The current high price of edible oils increased the economic incentive for mustard production. Expecting a higher local production of mustard, and assuming imports of rapeseed coming back close to normal levels, the 2003/04 crush is forecast at 526,000 tons.

Due to lower imports of mustard seed for crushing, 2002/03 edible oil production is estimated at 141,000 tons, compared with 171,000 tons in the previous year. Around 85 percent of the oil produced in Bangladesh is derived from mustard and rapeseed. Based on the forecast availability of oilseeds, edible oil production is forecast to jump to 172,000 tons in 2003/04.

Consumption

Total edible oil consumption is estimated at 990,000 tons in 2002/03, about 6 percent higher than last year's level. Per capita consumption has climbed above 7 kilograms. As domestically-produced oilseeds, dominated by mustard and imported rapeseeds blended together after crushing, are only able to supply around 15 percent of the demand, the rest is filled by imported

crude and refined oil. Assuming normal growth, total edible oil consumption is forecast to reach 1.03 million tons.

In spite of general acceptance of soybean oil as the principal cooking oil, extensive blending of palm oil with soy oil (sold as pure soybean oil), retarded its consumption growth. As a result, the 2001/02 consumption of soybean oil has been revised to 445,000 tons.

The consumption of soybean oil in 2002/03 is estimated at 470,000 tons, up by 5.6 percent over 2001/02 consumption. With the current reduced duty and taxes on imports, aimed at arresting the price hike in the domestic market, larger imports are likely to enhance consumption of soybean oil, which is forecast to reach 485,000 tons in 2003/04.

The consumption of palm oil has been growing significantly in recent years, mainly because of its price advantage and blending ability with soybean oil. Its consumption in 2002/03 is estimated to have climbed to 365,000 tons, more than 12 percent above last year's level. Use of pure palm oil as domestic cooking oil is still very limited. But the growing demand for bakery products and processed foods has resulted in tremendous growth in the consumption of palm oil in restaurants, fast food shops, and cookie and cracker factories. Also, general acceptance of palm oil is increasing among consumers, and demand for it is growing among the well-to-do customers. Consumption growth of palm oil is expected to stay strong in 2003/04, and is forecast at 385,000 tons.

Trade

2002/03 imports of rape and mustard seed are estimated at 120,000 tons (100,000 tons of rapeseed and 20,000 tons of oriental mustard seed), less than half of the 256,000 tons imported in 2001/02. Imports through December 2002 (latest available statistics) are only about 22,000 tons. The GOB did not reduce its duty and taxes on oilseed imports until January 2003, leading to minimal imports of oilseeds during the previous months. However, the recent policy shift by the GOB to almost-duty free imports is expected to accelerate the inflow of oilseeds during the latter five months of the marketing year.

Considering consumers' limited preference for mustard oil for cooking, mustard and rape seed imports are forecast about 230,000 tons in 2003/04. Among the imported oilseeds, rapeseed from France and Australia enjoy a combined 80 percent market share, while oriental mustard seed from Canada and Russia share the remaining 20 percent.

Total edible oil imports in 2002/03 are estimated at 855,000 tons, up by 6 percent from 2001/02. The sustained price competitiveness versus soybean oil resulted in imports of an estimated 410,000 tons of palm oil, up over 12 percent from 2001/02 imports. Soybean oil imports are estimated at 445,000 tons for 2002/03. Growing domestic demand cancelled the possible negative impact that climbing import prices of vegetable oils could have had on the total volume of imports.

Edible oil imports in 2003/04 are forecast to increase to 870,000 tons, with market shares of soy and palm heavily affected by price competitiveness. The refiners, through diluting soybean oil

with palm oil, have exploited the overwhelming consumer's preference for soybean oil. The blending proportions tilt toward palm oil when the price difference between these two kinds of oils and their transportation costs widen.

Considering the substantial ending stocks of palm oil and the strong consumer preference for soybean oil, the respective imports of soybean and palm oil in 2003/04 are forecast at 490,000 and 380,000 tons. Bangladesh also imports small quantities (around 15,000-20,000 tons) of refined soybean and palm oils. This includes about 1,500-2,000 tons of refined U.S. soybean oil. The large price differences between imported refined oils in sealed containers and locally refined oils prevent the demand and consumption of imported oil to grow to any substantial degree. However, with the tariff currently applied to refined oil on par with that on crude oil (see Policy section), refined edible oil imports could reach 20,000-24,000 tons in 2002/03.

A Bangladeshi refiner imported about 24,000 tons of crude degummed soybean oil from the United States in 2002, the only commercial oil import from the United States in the previous five years. To date in 2003, there have been no such imports. Brazil normally holds an 80 percent share of the crude soybean oil import market in Bangladesh, while crude palm oil is imported predominantly from Malaysia (90 percent plus).

Vegetable Oil: Season Average Wholesale Price per Ton in Dhaka

| Edible Oil | 1999/00 | | 2000/01 | | 2001/02 | | 2002/03 | |
|------------|---------|-----|---------|-----|---------|-----|---------|-----|
| | Taka | USD | Taka | USD | Taka | USD | Taka | USD |
| Soybean | 37500 | 721 | 36000 | 667 | 35000 | 625 | 45000 | 776 |
| Palm | 35000 | 673 | 32500 | 601 | 32000 | 571 | 40000 | 690 |
| Rapeseeds | 50000 | 962 | 48000 | 889 | 47500 | 848 | 55000 | 948 |

Average exchange rates: USD 1.00 = Taka 58.00 in 2002/03, Taka 56.00 in 2001/02, Taka 54.00 in 2000/01, and Taka 52.00 in 1999/00.

The GOB halved the import duty on crude oils in November 2002 in order to tame the upward price spiral; however, this action did not have any visible impact. Millers and traders report that the price increase on the international markets offset the duty reduction, and did not allow them to reduce their price.

Soybean meal (SBM) consumption has seen significant growth due to the expansion of the poultry industry. This expansion saw rates of 10-12 percent per year, but slowed to 4-6 percent after 2000. This nonetheless strong and continuing expansion is estimated to result in imports of SBM reaching 212,000 tons in 2002/03 (nearly 50 percent of the volume through illegal border trade), compared to 195,000 tons in 2001/02. India remains the sole supplier. Imports are forecast to further climb to 225,000 tons in 2003/04, as the poultry industry becomes more aware of the importance of a balanced diet for the birds.

Policy

The current tariff structure for imports of edible oils and oilseeds is:

| Description | Customs Duty | Development Surcharge | Adv. Income Tax | VAT | Total |
|------------------------|--------------|-----------------------|-----------------|------|-------|
| Refined oil (%) | 7.5 | 0 | 0 | 15.0 | 22.5 |
| Crude oils (%) | 7.5 | 0 | 0 | 15.0 | 22.5 |
| Rape/Mustard Seeds (%) | 0 | 0 | 0 | 0 | 0 |

Against the backdrop of the price spirals, the GOB halved the import duty on crude edible oils from 15 percent to 7.5 percent in November 2002. In December 2002, a 30 percent regulatory duty was imposed on imports of refined soybean oils; primarily to protect the country's foreign currency reserves. Again in February 2003, as a counter-measure against soaring prices, the GOB announced a major duty cutback on refined edible oil imports. The GOB slashed the import duty on refined edible oil to 7.5 percent from 32.5 percent, and completely withdrew a 30 percent regulatory duty imposed on imports only a month earlier to support local refiners. The Development Surcharge and the Advance Income Tax were also lifted. This puts the refined edible oil importers on an even playing field with the refiners, with a 7.5 percent custom duty and 15 percent VAT in both cases. This policy is not surprisingly facing criticism from refiners.

In the 2002/03 fiscal budget, published in June 2002, the GOB had adopted the following tariff structure (now obsolete) for imports of edible oils and oilseeds:

| Description | Customs Duty | Development Surcharge | Adv. Income Tax | VAT | Total |
|------------------------|--------------|-----------------------|-----------------|------|-------|
| Refined oil (%) | 32.5 | 3.5 | 2.5 | 15.0 | 53.5 |
| Crude oils (%) | 15.0 | 3.5 | 2.5 | 15.0 | 36.0 |
| Rape/Mustard Seeds (%) | 7.5 | 3.5 | 2.5 | 0 | 13.5 |

There are no quantitative restrictions on the import of oilseeds/products into Bangladesh. Commercial imports of oilseeds/products are carried out entirely by the private sector.

NOTE: There are reports that significant amounts of both soybean and palm oil are smuggled to India through the north-western border, with smugglers exploiting the price differences of edible oils between India and Bangladesh. This should be taken into account when analysing the above consumption and trade data.

SECTION II - STATISTICAL TABLES

Table 1: Commodity, Oil Palm, PSD Table

| PSD Table | | | | | | | |
|-------------------------|------------|---------|-----|---------|-----|---------|--------------|
| Country: | Bangladesh | | | | | | |
| Commodity: | Oil, Palm | | | | | | |
| | | 2001 | | 2002 | | 2003 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 07/2001 | | 07/2002 | | 07/2003 | (MONTH/YEAR) |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | (1000 HA) |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | (1000 HA) |
| Trees | 0 | 0 | 0 | 0 | 0 | 0 | (1000 TREES) |
| Beginning Stocks | 59 | 59 | 79 | 99 | 0 | 144 | (1000 MT) |
| Production | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| MY Imports | 300 | 365 | 325 | 410 | 0 | 380 | (1000 MT) |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| MY Imp. from the EC | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 359 | 424 | 404 | 509 | 0 | 524 | (1000 MT) |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| MY Exp. to the EC | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Industrial Dom. Consum. | 50 | 50 | 60 | 60 | 0 | 65 | (1000 MT) |
| Food Use Dom. Consump. | 230 | 275 | 250 | 305 | 0 | 320 | (1000 MT) |
| Feed Seed Waste Dm.Cn. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Dom. Consumption | 280 | 325 | 310 | 365 | 0 | 385 | (1000 MT) |
| Ending Stocks | 79 | 99 | 94 | 144 | 0 | 139 | (1000 MT) |
| TOTAL DISTRIBUTION | 359 | 424 | 404 | 509 | 0 | 524 | (1000 MT) |
| Calendar Year Imports | 300 | 320 | 320 | 425 | 0 | 400 | (1000 MT) |
| Calendar Yr Imp. U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Calendar Year Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Calndr Yr Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |

Table 2: Commodity, Oil Palm, Import Matrix Table

| | | | |
|---------------------|-----------|-----------|------------|
| Import Trade Matrix | | | |
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Jul - Jun | | |
| Imports for | 2001 | | 2002 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Malaysia | 330,000 | Malaysia | 373,500 |
| Singapore | 35,000 | Singapore | 36,500 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 365000 | | 410000 |
| Others not listed | | | |
| Grand Total | 365000 | | 410000 |

Table 3: Commodity, Oil Soybean, PSD Table

| | | | | | | | |
|---------------------------|-----------------|---------|-----|---------|-----|---------|------------------|
| PSD Table | | | | | | | |
| Country: | | | | | | | |
| Commodity: | Oil, Soybean | | | | | | |
| | | 2001 | | 2002 | | 2003 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 07/2001 | | 07/2002 | | 07/2003 | (MONTH/ YEAR) |
| Crush | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Extr. Rate | 0 | 0 | 0 | 0 | 0 | 0 | |
| Beginning Stocks | 82 | 82 | 107 | 77 | 0 | 52 | (1000 MT) |
| Production | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| MY Imports | 500 | 440 | 475 | 445 | 0 | 490 | (1000 MT) |
| MY Imp. from U.S. | 108 | 108 | 40 | 0 | 0 | 40 | (1000 MT) |
| MY Imp. from the EC | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 582 | 522 | 582 | 522 | 0 | 542 | (1000 MT) |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| MY Exp. to the EC | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Industrial Dom. Consum | 95 | 95 | 98 | 98 | 0 | 100 | (1000 MT) |
| Food Use Dom. Consump. | 380 | 350 | 402 | 372 | 0 | 385 | (1000 MT) |
| Feed Waste Dom.Consum. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Dom. Consumption | 475 | 445 | 500 | 470 | 0 | 485 | (1000 MT) |
| Ending Stocks | 107 | 77 | 82 | 52 | 0 | 57 | (1000 MT) |
| TOTAL DISTRIBUTION | 582 | 522 | 582 | 522 | 0 | 542 | (1000 MT) |
| Calendar Year Imports | 480 | 460 | 520 | 480 | 0 | 520 | (1000 MT) |
| Calendar Yr Imp. U.S. | 40 | 40 | 80 | 68 | 0 | 0 | (1000 MT) |
| Calendar Year Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Calndr Yr Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |

Table 4: Commodity, Oil Soybean, Import Matrix Table

| | | | |
|---------------------|-----------|-----------|------------|
| Import Trade Matrix | | | |
| Country: | | Units: | Metric Ton |
| Commodity: | | Oil | |
| Time period: | Jul - Jun | | |
| Imports for | 2001 | | 2002 |
| U.S. | 109,600 | U.S. | 1,500 |
| Others | | Others | |
| Brazil | 274,000 | Brazil | 357,500 |
| Argentina | 40,000 | Argentina | 62,000 |
| Singapore | 16,500 | Singapore | 24,000 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 330500 | | 443500 |
| Others not listed | | | |
| Grand Total | 440100 | | 445000 |