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Bangladesh

Grain and Feed

Annual

2004

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Report Highlights:
Bangladesh's foodgrain production in 2004/05 is forecast to increase to 28.1 million tons (26.6 million tons of rice and 1.5 million tons of wheat), up 2 percent from the 2003/04 estimate. Imports of rice are forecast to decline to 500,000 tons, while wheat imports are forecast up at 1.8 million tons. India continued to be the single largest supplier of rice and wheat to Bangladesh.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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[BG]

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SECTION I – SITUATION AND OUTLOOK

RICE

Production

Assuming a normal summer monsoon, MY 2004/05 (July-June) rice production is forecast at 26.6 million tons from 11.2 million hectares. Production in MY 2003/04 is currently estimated at 26.0 million tons. Remunerative prices led to an increase in planted acreage, and prompted farmers to shift from low yielding, traditional varieties to high yielding varieties (HYVs). Bangladesh harvests three rice crops in a year. The first crop *Aus* (planted in March/April and harvested in June/July) produced 1.8 million tons, compared to 1.9 million tons in 2002/03. The second crop *Aman* (planted in July/August and harvested in November/December), despite adverse weather conditions, is estimated at 11.5 million tons, compared to 11.1 million tons in 2002/03. The third crop, *Boro* (planted in December/January and harvested in April/May), presently in its vegetative stage, is estimated at 12.7 million tons, assuming normal weather conditions through harvest. Area and production estimates of rice by season are shown in Table 1.

Table 1: Area and Production of rice by seasons

Crop	**2001/02 (Official)**		**2002/03 (Estimates)**		**2003/04 (Estimate)**	
	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)
Aus	1,243	1,810	1,245	1,850	1,150	1,830
Aman	5,650	10,730	5,685	11,115	5,750	11,500
Boro	3,773	11,770	3,847	12,222	4,000	12,700
Total Rice	10,666	24,310	10,777	25,187	10,900	26,030

Consumption

MY 2004/05 rice consumption (including food, seed, and feed) is forecast to increase to 27.0 million tons, due principally to population growth. Consumption in MY 2003/04 is estimated at 26.7 million tons. Per capita annual rice consumption is estimated at about 197 kg in 2003/04, slightly lower than in 2002/03.

The average price of coarse rice in July 2003 was Tk. 13.80 ($0.23) per kg, which is about 10 percent higher than the average July 2002 price. The rise was tampered by increased availability through private sector imports and a good *Aman* rice harvest in December. A scaling down of the Public Food Distribution System (PFDS) programs, such as food for work, vulnerable group feeding, etc., contributed to higher rice prices in recent years.

Trade

Considering the high carryover stocks of rice with farmers, traders, and the government, 2004/05 rice imports are forecast to decline to 500,000 tons (mostly private imports) sourced principally from India. On a calendar year basis, imports in 2004 are forecast at 750,000 tons compared with 1.6 million tons in 2003 and 552,000 tons in 2002. In recent years, rice imports have become attractive due to higher domestic prices. However, following the discontinuation of subsidized rice exports from India, good domestic harvests, and large private sector stocks, the import pace has slowed. There have been no government imports of rice over the past four years.

Newspaper reports mention that some of the imported rice is smuggled to Myanmar, although no data on the magnitude of such trade is available. The cheap exports from India have now mostly displaced illegal border trade.

Stocks

Public sector carryover stocks of rice in MY 2003/04 are estimated up at 690,000 tons. Stocks with farmers and traders are estimated at around 6 million tons, which are not included in the PS&D table, as it only reflects government-held stocks. The government's rice procurement target for MY 2003/04 is 550,000 tons, compared to last year's actual procurement of 816,000 tons. Public distribution of rice is targeted at 584,000 tons for MY 2003/04, as compared to 761,000 tons in MY 2002/03.

Policy

In the face of sufficient foreign exchange reserves and an upward trend in domestic prices of rice, the government has further liberalized rice imports. The mandatory Letter of Credit (LC) margins for imports has been abolished, which was 25 percent until December 2003. The trade opines that this would make imported rice 7 to 10 percent cheaper. The present tariff structure of rice import consists of a customs duty of 7.5 percent, advance income tax of 3 percent, and a development surcharge of 3.5 percent. The new tariff policy would discourage illegal border trade with India. There is no quantitative restriction on rice imports.

Marketing

Bangladesh is normally a price buyer, generally purchasing lower quality (25% or more broken) parboiled rice. The growing purchasing power of the middle class population, however, is generating additional demand for medium quality rice. There remains a small niche market for high quality rice (basmati or its equivalent), which is imported from India/Pakistan, as well as for the local aromatic varieties.

WHEAT

Production

Assuming normal weather conditions 2004/05 wheat production is forecast at 1.5 million tons from 700,000 hectares, unchanged from the 2003/04 level.

Due to competition from more the remunerative irrigated HYV *Boro* rice crop and the availability of cheaper imported wheat, wheat cultivation is gradually becoming a losing proposition. Since the record harvest of 1.9 million tons in 1998/99, both wheat acreage and production have been declining. However, under non-irrigated condition, wheat is still a profitable alternative to rice.

Consumption

Assuming the present wheat/rice price relationship holds, and taking into account the additional demand generated by population growth, MY 2004/05 wheat consumption is forecast at 3.30 million tons. The MY 2003/04 consumption is 6 percent lower than the 2002/03 consumption, largely due to lower PFDS supplies and the larger availability of rice. Wheat consumption reached a record 4 million tons in 1998/99, following large international donations in the aftermath of a devastating flood.

As the second staple food in Bangladesh, wheat represents around 10 percent of the total foodgrain consumption in a normal year. In rural areas, wheat consumption largely depends on its availability under the PFDS programs, and on the relative price of rice versus wheat. In urban areas, however, consumers are becoming more dependent on wheat flour-based foods due to changes in food habits. The fast food sector and restaurants in Bangladesh have been registering a healthy growth, generating an additional demand of around 100,000 tons of wheat every year.

The average retail prices of white fine flour and atta (coarse flour) in MY 2003/04 are Tk. 17.00 ($ 0.29) per kg and Tk 14 ($0.24 approx.), respectively. Both are slightly up over last year.

Trade

Imports of wheat in MY 2004/05 are forecast at 1.8 million tons, consisting of 300,000 tons food aid, 100,000 tons public sector imports, and 1.4 million tons private commercial imports. Imports in 2003/04 are estimated at 1.8 million tons, up by about 8 percent from the 2002/03 imports. Up to December 2003 in the current MY, about 1.0 million tons of wheat has reportedly already arrived, including 215,000 tons of food aid and 28,500 tons of government imports. There have been no government wheat imports in the last three years. Private sector imports recorded continuous growth due to lower domestic productions, availability of low cost wheat from the international market (especially the subsidized wheat from India), and the higher domestic price of rice.

Stocks

Ending stocks are projected at 186,000 tons. The current year's government procurement target is 200,000 tons, as compared to last year's actual procurement of 136,000. Private sector wheat stocks (not included in the PS&D table) are estimated at around 100,000 tons.

Policy

In December 2003, the government removed the mandatory LC margin for import of food items, including wheat, and allowed the margins be determined by the importer-bank relationship. This is the culmination of the measures initiated in February 2003, when the government reduced the LC margin to 25 percent and withdrew the regulatory duty on wheat imports. The present tariff structure of wheat imports consists of a 7.5 percent customs duty, 3 percent advance income tax, and a 2.5 percent infrastructure development surcharge. There is no quantitative restriction on wheat imports.

Marketing

US wheat Associates' efforts to address the issues of acceptable contract terms and pricing should continue. Most Bangladeshi importers, being very small buyers (5,000 to 10,000 tons at a time), find the cost of transportation from the United States prohibitive, which prompts them to source wheat from closer origins. They are, however, very interested in the high and consistent quality of U.S. wheat. Almost every year, a couple of Bangladeshi flour millers attend the flour milling short course offered by the US Wheat Associates.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Rice Milled, PSD

PSD Table							
Country:	**Bangladesh**						
Commodity:	**Rice, Milled**						
		2002		**2003**		**2004**	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		**Jul-02**		**Jul-03**		**Jul-04**	(MONTH/YEAR)
Area Harvested	11,059	10,777	11,100	10,900	0	11,150	(1000 Hectares)
Beginning Stocks	400	420	510	560	0	690	(1000 MT)
Milled Production	25,360	25,187	26,000	26,030	0	26,550	(1000 MT)
Rough Production	38,044	37,784	39,004	39,049	0	39,829	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	0	6,666	(1000 MT)
TOTAL Imports	850	1,553	600	800	0	500	(1000 MT)
Jan-Dec Imports	1,050	552	500	1,634	0	750	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	26,610	27,160	27,110	27,390	0	27,740	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	26,100	26,600	26,400	26,700	0	27,000	(1000 MT)
Ending Stocks	510	560	710	690	0	740	(1000 MT)
TOTAL DISTRIBUTION	26,610	27,160	27,110	27,390	0	27,740	(1000 MT)

Table 2: Commodity, Rice Milled, Import Trade Matrix

Import Trade Matrix			
Country:	**Bangladesh**	Units:	Metric Tons
Commodity:	**Rice, Milled**		
Time period:			
Imports for	**2002**		**2003**
U.S.		U.S.	
Others		Others	
India	485000	India	1485000
Pakistan	12000	Pakistan	28000
Thailand	25000	Thailand	46000
Vietnam	14000	Vietnam	36000
Myanmer	0	Myanmer	0
Total for Others	536000		1595000
Others not listed	16000		39000
Grand Total	552000		1634000

Table 3: Commodity, Rice Milled, Price Table

Prices Table			
Country:	**Bangladesh**		
Commodity:	**Rice, Milled**		
Year:	2003		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2002	2003	% Change
Jan	12280	13470	9.7%
Feb	12660	14050	11.0%
Mar	12700	13900	9.4%
Apr	12880	13310	3.3%
May	12050	12550	4.1%
Jun	12120	12760	5.3%
Jul	12570	13800	9.8%
Aug	13220	14370	8.7%
Sep	13110	14400	9.8%
Oct	13280	13800	3.9%
Nov	13250	13750	3.8%
Dec	13220	13470	1.9%
Exchange Rate	59	(Local currency/US $)	
Date of Quote	08-Feb-04	(MM/DD/YY)	

Table 4: Commodity, Wheat, PSD

PSD Table							
Country:	**Bangladesh**						
Commodity:	**Wheat**						
		2002		**2003**		**2004**	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		**0**		**0**		**0**	(MONTH/YEAR)
Area Harvested	778	707	800	700	0	700	(1000 Hectares)
Beginning Stocks	600	444	350	156	0	186	(1000 MT)
Production	1550	1510	1650	1500	0	1500	(1000 MT)
TOTAL Mkt. Yr. Imports	1100	1652	1300	1780	0	1800	(1000 MT)
Jul-Jun Imports	1100	1652	1300	1780	0	1800	(1000 MT)
Jul-Jun Import U.S.	**72**	**55**	**0**	**106**	**0**	**150**	(1000 MT)
TOTAL SUPPLY	3250	**3606**	3300	**3436**	0	**3486**	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	2900	3450	3000	3250	0	3300	(1000 MT)
Ending Stocks	350	156	300	186	0	186	(1000 MT)
TOTAL DISTRIBUTION	3250	**3606**	3300	**3436**	0	**3486**	(1000 MT)

Table 5: Commodity, Wheat, Import Matrix

Import Trade Matrix			
Country:	**Bangladesh**	Units:	Metric tons
Commodity:	**Wheat**		
Time period:	**Jul/Jun**		
Imports for	**2002**		**2003**
Concessional		**Concessional**	
USA	55,000	USA	106,000
WFP	114,000	WFP	65,000
Australia	49,500	Australia	45,000
Canada	31,984	Canada	39,100
EU	0	EU	13,000
Commercial		**Commercial**	
India	1,091,000	India	1,176,000
Canada	56,000	Canada	76,000
Australia	178,000	Australia	180,000
Argentina	34,000	Argentina	25,000
Pakistan	8,500	Pakistan	13,000
Total for Others	1,617,984		1,738,100
Others not listed	34,000		42,000
Grand Total	1,651,984		1,780,100

Table 6: Commodity, Wheat, Prices Table

Prices Table			
Country:	**Bangladesh**		
Commodity:	**Wheat**		
Year:	2003		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2002	2003	% Change
Jan	8540	8680	1.6%
Feb	8500	9100	7.1%
Mar	8380	9180	9.5%
Apr	8350	9030	8.1%
May	8320	9350	12.4%
Jun	8270	9560	15.6%
Jul	8360	9750	16.6%
Aug	8440	9770	15.8%
Sep	8430	9800	16.3%
Oct	8440	9830	16.5%
Nov	8520	9890	16.1%
Dec	8510	9870	16.0%
Exchange Rate	59	(Local currency/US $)	
Date of Quote	08-Feb-04	(MM/DD/YY)	