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Bangladesh

Grain and Feed

Annual

2005

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Report Highlights:
Bangladesh foodgrain production is forecast to increase to 28.2 million tons (26.7 million tons of rice and 1.5 million tons of wheat) in MY 2005/06, up 4.8 percent from the flood-damaged 2004/05 production. Imports of rice and wheat are forecast to decline to 2.7 million tons (0.8 million tons of rice and 1.9 million tons of wheat) in MY 2005/06, from 2.8 million tons (1.0 million tons rice and 1.8 million tons of wheat) in MY 2004/05. India continued to be the single largest supplier of rice and wheat to Bangladesh. With the dwindling supplies from India, however, Bangladesh will have to look at other countries for its grain requirements.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I – SITUATION AND OUTLOOK

Note: In the PSD tables, revised official figures are used for 2003. As a result the 'old' and 'new' estimates do not match.

RICE

Production

Assuming a normal summer monsoon, 2005/06 (Jul-Jun) rice production is forecast at 26.7 million tons from 11.1 million hectares.

2004/05 rice production is now estimated at 25.5 million tons, down by about 3 percent from the 2003/04 production, due to flooding from July to September 2004. Both the *Aus* crop (planted in March/April and harvested in June/July) and *Aman* crop (planted in July/August and harvested in November/December) were affected by floods, and are estimated at 1.4 million tons and 11.0 million tons, respectively. However the third rice crop, *Boro* (planted in December/January and harvested in April/May), presently in the vegetative stage, is benefiting from excellent weather conditions, and is expected to produce 13.1 million tons, partially offsetting losses in the *Aus* and *Aman* crops. High rice prices supported increased planting and higher application of fertilizers and irrigation during the *Boro* season. Area and production estimates of rice by season follows:

Table 1: Area and Production of rice by seasons and years

Rice Crop	2003/04 (Estimate)		2004/05 (Estimate)		2005/06 (Forecast)	
	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)
Aus	1,147	1,832	1,100	1,400	1,000	1,550
Aman	5,710	11,520	5,800	11,000	5,850	11,650
Boro	4,045	12,800	4,100	13,100	4,250	13,500
Total Rice	10,902	26,152	11,000	25,500	11,150	26,700

Consumption

With expected higher production and normal imports, 2005/06 rice consumption is forecast to increase to 27.3 million tons.

Rice is the major staple food in Bangladesh, and constitutes 80 percent of the consumption basket of the poor. The rural population is almost entirely dependent on rice, supplemented by small quantities of wheat supplied through the public food distribution system (PFDS).

Rice prices continued to remain firm in CY 2004 due to lower domestic production and reduced imports. The average price of coarse rice in July 2004 was Tk. 14.80 ($0.25) per kilogram, which increased to Tk. 16.50 ($0.28) per kilogram in December 2004, up 22.5 percent from a year earlier. Even after the harvest of the *Aman* rice crop in November/ December, prices did not come down significantly. Government efforts to check the price rise through open market sales were offset by reduced rice availability through the PFDS and hoarding by private trade. Rice prices are likely to remain firm until the *Boro* rice crop arrival starts in April/May 2005.

Trade

Based on the forecast higher production of rice in MY 2005/06, rice imports are forecast to decline to 800,000 tons (750,000 tons by the private and 50,000 tons by the public sector), stemming mostly from India. On a calendar year basis, rice imports in 2004 were 738,000 tons, compared to 1.64 million tons in 2003, partially on account of the price rise of Indian rice.

Rice imports in MY 2004/05 are estimated at 1.0 million tons, including 100,000 tons through private channels, with India remaining the major supplier. Although high domestic prices spurred import demand, limited availability, the high price in the international market, and the continued devaluation of the local currency against the dollar, are discouraging imports. Rice imports from July-December 2004 are estimated at 460,000 tons, against 525,000 tons during the same period of 2003. Poor quality Indian rice is imported into Bangladesh to take advantage of the prevailing high prices in the domestic market.

The government is trying to buy 150,000 tons of rice from the international market to build up currently low stocks, with India likely to be the source. Despite high domestic prices, the possibility of commercial imports from the United States is low, due to high prices, a long shipping period, and high transportation costs.

Stocks

Government rice stocks at the end of MY 2004/05 are estimated at 323,000 tons, compared to 723,000 tons a year ago. Reduced domestic procurement and increased open market sales of rice caused the reduction in stocks. December 1, 2004, stocks with the government are already low at 450,000 tons. Stocks held by farmers and traders (not included in the PSD table) are estimated to be around 5 million tons at the end of MY 2004/05. The government's rice procurement target for MY 2004/05 is 800,000 tons, compared to last year's actual procurement of 827,000 tons. Public distribution of rice from government stocks is targeted at 900,000 tons for MY 2004/05, compared to actual 627,000 tons in MY 2003/04.

The government plans to procure 250,000 tons of rice (150,000 tons through international tender and 100,000 tons from domestic purchases) to rebuild stocks.

Policy

There are no quantitative restrictions on exports and imports of rice. Despite greater import demand and higher domestic prices, there is no initiative to lower tariffs, as policy makers believe that lower tariffs do not necessarily translate into lower domestic prices. The present tariff structure for rice is: 7.5 percent custom duty; 3 percent advance income tax; and 3.5 percent development surcharge.

Marketing

The vast majority of imports are sourced from India due to freight advantage, shorter delivery times, easy land transportation facilities, and overall lower price. The government's initiative to diversify the Bangladesh's export basket helped small exports (around 3,000 tons) of local rice, primarily to Bangladeshis living abroad.

WHEAT

Production

Assuming normal weather, the MY 2005/06 wheat production is forecast at 1.5 million tons from 650,000 hectares.

Production in 2004/05 is estimated at 1.4 million tons, up 12 percent from the rain-damaged harvest of 2003/04. Commercial wheat cultivation in Bangladesh started in the early 1980s as a less irrigation-intensive winter cereal crop. However, with the expansion of irrigation facilities over the last few years, high yield varieties of *Boro* rice, and other remunerative crops like vegetables, potatoes, and maize, have steadily displaced wheat acreage. Current high grain prices should lead to a modest increase in wheat acreage in 2005/06.

Consumption

MY 2005/06 wheat consumption is forecast at 3.4 million tons. MY 2004/05 consumption of 3.2 million tons had been adversely affected by a poor domestic harvest and lower imports.

Wheat prices have risen by 2 taka in CY 2004. The retail price of *Atta* (coarse wheat flour) in December 2004 was Tk. 16 (US$ 0.27) per kilogram compared to Tk. 14.00 (US$ 0.24) a year ago.

Trade

Imports of wheat in MY 2005/06 are forecast at 1.9 million tons (300,000 tons food aid, 100,000 tons public sector imports, and 1.5 million tons commercial imports.)

In spite of high import demand, the high international prices, combined with the depreciation of the local currency against the dollar, has made imports costly. MY 2004/05 imports are estimated at 1.8 million tons, down by about 10 percent from the MY 2003/04 imports of 2.0 million tons, and are comprised of 260,000 tons of food aid, 50,000 tons of public sector imports, and 1.5 million tons of commercial imports. According to available reports, during the current marketing year (through December 2004), about 800,000 tons of wheat arrived in the country, including 220,000 tons under aid programs and 10,000 tons of government imports. Imports during the corresponding period of last year were 1.0 million tons.

Stocks

Government-held wheat stocks at the beginning of MY 2004/05 were 116,000 tons, compared with 150,000 tons in MY 2003/04. The government's domestic procurement drive in MY 2003/04 did not achieve its goal (only 15,000 tons procured vs. the targeted 200,000 tons), which resulted in record low opening stocks in MY 2004/05. Ending stocks for the current marketing year are projected at 136,000 tons, while mid-year stocks are placed at around 150,000 tons. The government has set a procurement target of 175,000 tons for the current marketing year. Private sector stocks of wheat, not included in the PSD table, are estimated at around 70,000 tons.

Policy

There is no quantitative restriction on wheat imports. The current tariff structure for wheat imports consists of a 7.5 percent customs duty, a 2.5 percent infrastructure development surcharge, and a 3 percent advance income tax.

Marketing

Bangladesh is predominantly a buyer of low quality, cheap wheat. A majority of imports in recent years have come from India due to the geographical proximity, low transportation cost, and lower prices (because of the Indian government's export subsidy). Australia and Canada are the main suppliers of quality wheat to Bangladesh. Dwindling supplies of cheap wheat from India and the rise of wheat prices in the local market has generated an interest in US wheat. However, unfavorable contract terms imposed on the US suppliers and Bangladesh's inability to import economically viable quantities from the United States are constraints. Bangladeshi buyers are appreciative of the quality of US wheat, and are willing to pay a premium of around $10-12 per metric ton over other wheat. The US Wheat Associates' efforts to address the issues of acceptable contract terms and pricing should be continued.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Rice Milled, PSD

PSD Table							
Country:	Bangladesh						
Commodity:	Rice, Milled						
		2003		2004		2005	YOM
	Old	New	Old	New	Old	New	
Market Year Begin		Jul-03		Jul-04		Jul-05	(MONTH/YEAR)
Area Harvested	10,902	10,902	10,700	11,000	0	11,150	(1000 Hectares)
Beginning Stocks	442	470	794	723	0	323	(1000 MT)
Milled Production	26,152	26,152	25,500	25,500	0	26,700	(1000 MT)
Rough Production	39,232	39,232	38,254	38,254	0	40,054	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	0	6,666	(1000 MT)
TOTAL Imports	600	801	750	1,000	0	800	(1000 MT)
Jan-Dec Imports	500	1,639	650	738	0	700	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	27,194	27,423	27,044	27,223	0	27,823	(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	26,400	26,700	26,700	26,900	0	27,350	(1000 MT)
Ending Stocks	794	723	344	323	0	473	(1000 MT)
TOTAL DISTRIBUTION	27,194	27,423	27,044	27,223	0	27,823	(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	**2003**		**2004**
U.S.		U.S.	
Others		Others	
India	1,485,000	India	650,000
Pakistan	28,000	Pakistan	16,000
Thailand	46,000	Thailand	24,000
Vietnam	36,000	Vietnam	12,000
Myanmar	4,000	Myanmar	7,000
Total for Others	1,599,000		709,000
Others not listed	40,000		29,000
Grand Total	1,639,000		738,000

Table 3: Commodity, Rice Milled, Prices Table

Prices Table			
Country:	**Bangladesh**		
Commodity:	**Rice, Milled**		
Year:	2004		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2003	2004	% Change
Jan	13,470	13,800	0
Feb	14,050	14,000	(0)
Mar	13,900	14,000	0
Apr	13,310	13,700	0
May	12,550	13,200	0
Jun	12,760	13,500	0
Jul	13,800	14,800	0
Aug	14,370	15,200	0
Sep	14,440	15,260	0
Oct	13,800	15,500	0
Nov	13,750	15,800	0
Dec	13,470	16,500	0
Exchange Rate	61	(Local currency/US $)	
Date of Quote	38,390	(MM/DD/YY)	

Table 4: Commodity, Wheat, PSD

PSD Table							
Country:	**Bangladesh**						
Commodity:	**Wheat**						
		2003		**2004**		**2005**	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		**Jul-03**		**Jul-04**		**Jul-05**	(MONTH/YEAR)
Area Harvested	700	567	700	650	-	650	(1000 Hectares)
Beginning Stocks	310	152	455	116	-	136	(1000 MT)
Production	1,500	1,253	1,500	1,400	-	1,500	(1000 MT)
TOTAL Mkt. Yr. Imports	1,945	1,998	1,800	1,800	-	1,900	(1000 MT)
Jul-Jun Imports	1,945	1,998	1,800	1,800	-	1,900	(1000 MT)
Jul-Jun Import U.S.	**91**	**106**	**-**	**80**	**-**	**100**	(1000 MT)
TOTAL SUPPLY	3,755	**3,403**	3,755	**3,316**	-	**3,536**	(1000 MT)
TOTAL Mkt. Yr. Exports	-	-	-	-	-	-	(1000 MT)
Jul-Jun Exports	-	-	-	-	-	-	(1000 MT)
Feed Dom. Consumption	-	-	-	-	-	-	(1000 MT)
TOTAL Dom. Consumption	3,300	3,287	3,300	3,180	-	3,360	(1000 MT)
Ending Stocks	455	116	455	136	-	176	(1000 MT)
TOTAL DISTRIBUTION	3,755	**3,403**	3,755	**3,316**	-	**3,536**	(1000 MT)

Table 5: Commodity, Wheat, Import Trade Matrix

Import Trade Matrix			
Country:	**Bangladesh**	Units:	Metric tons
Commodity:	**Wheat**		
Time period:	**Jul/Jun**		
Imports for	**2003**		**2004**
Concessional		**Concessional**	
USA	106,000	USA	70,000
WFP	65,000	WFP	76,000
Australia	45,000	Australia	45,000
Canada	39,100	Canada	51,000
EU	13,000	EU	0
Commercial		**Commercial**	
India	1,384,000	India	1,250,000
Canada	78,000	Canada	60,000
Australia	174,000	Australia	160,000
Argentina	24,000	Argentina	30,000
Pakistan	20,000	Pakistan	18,000
Total for Others	1,948,100		1,760,000
Others not listed	50,000		40,000
Grand Total	1,998,100		1,800,000

Table 6: Commodity, Wheat, Prices Table

Prices Table			
Country:	**Bangladesh**		
Commodity:	**Wheat**		
Year:	2004		
Prices in (currency)	Taka	per (uom)	metric ton
Year	2003	2004	% Change
Jan	8,680	10,270	18.3%
Feb	9,100	11,310	24.3%
Mar	9,180	11,120	21.1%
Apr	9,030	11,470	27.0%
May	9,350	11,470	22.7%
Jun	9,560	11,370	18.9%
Jul	9,750	11,870	21.7%
Aug	9,770	11,980	22.6%
Sep	9,800	12,410	26.6%
Oct	9,830	12,570	27.9%
Nov	9,890	12,850	29.9%
Dec	10,050	13,000	29.4%
Exchange Rate	61	(Local currency/US $)	
Date of Quote	08-Feb-05	(MM/DD/YY)	