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## Bangladesh

## Oilseeds and Products

## Annual

## 2004

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**Report Highlights:**

Bangladesh's vegetable oil imports in MY 2004/05 are forecast at 870,000 tons, up over MY 2003/04, with palm oil likely to retain the dominant position for the second consecutive year.

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Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

New Delhi [IN1]

[BG]

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## SECTION I – SITUATION AND OUTLOOK

### Production

Assuming normal weather, total oilseeds production in MY 2004/05 is forecast at 336,000 tons, comprised of 246,000 tons mustard seed and 90,000 tons other oilseeds. MY 2003/04 production is estimated at 329,000 tons, which includes 238,000 tons of mustard, 38,000 tons of peanuts, 16,000 tons of flaxseed, and 37,000 tons of cottonseed. Although Bangladesh grows small quantities of soybeans and sunflowers, these are not crushed for oil due to lack of processing technology, and go mostly towards poultry feed. Mustard seed production, which constitutes about 72 percent of the total oilseeds output, increased by 4 percent in MY 2003/04, due to higher yields resulting from favorable weather conditions. There is very little scope of expansion for mustard and other oilseed acreage in the country, due to competition from more profitable alternative crops.

Assuming higher mustard seed production and larger imports, MY 2004/05 total oilseed crush is forecast at 590,000 tons, yielding an oil output of 196,000 tons, compared with 186,000 tons of oil from 551,000 tons crushed in 2003/04.

Domestic mustard seed, often blended with imported rapeseed, is typically processed in thousands of small-scale, inefficient plants, locally called "*Ghanis*." These traditionally bullock-powered plants are now increasingly powered by electricity. As the local preference is for higher pungency in mustard oil, processors add artificial flavours/essence. Locally produced oil meals contain high levels of residual oil, and are therefore not suitable for poultry feeding; most of it goes to cattle feed.

Total vegetable oil refining capacity in Bangladesh is around 1.5 million tons from 79 plants (including 6 to 7 modern plants with a capacity of 300-600 tons per day). These larger mills, with a capability to refine both crude soybean oil and crude palm oil, dominate the vegetable oil sector. Overall capacity utilization in the refining sector is about 50 percent.

### Consumption

Vegetable oil consumption has stagnated at around 1 million tons during the past two years due to higher prices. Around 18 percent of the consumption requirement is met by domestic production. Soybean oil is the most preferred cooking oil in Bangladesh, with MY 2003/04 consumption estimated at 390,000 tons. Consumption in 2004/05 is forecast to increase to 415,000 tons, as the existing low import duty (25 percent) is likely to bolster imports and consumption. As the illegal blending of palm oil into soybean oil is growing due to their price differences, palm oil consumption in 2003/04 is estimated to have increased by 8 percent to 440,000 tons.

The use of palm oil by hotels, restaurants, fast food shops, bakeries, food processing industries, and upper income consumers is growing because of its lower price vis-à-vis soybean oil. Assuming the present price competitiveness of palm oil against soy oil continues, palm oil consumption in 2004/05 is forecast at 455,000 tons.

Consumption of mustard/rapeseed oil increased from 170,000 tons in 2002/03 to an estimated 185,000 tons in 2003/04, and is forecast at this level in 2004/05. Its consumption is mostly confined to rural areas. Consumption of soybean meal is steadily growing as a result of the expansion of the poultry sector. Most of this requirement is met through imports from India.

## Trade

Almost duty free access to oilseed imports combined with the continuous rise in edible oil prices have boosted imports of oilseeds and vegetable oils in recent years. Imports of rape and mustard seed in 2004/05 are forecast at 270,000 tons, compared with 265,000 tons, which is 47 percent above MY 2002/03 import volumes. Almost 80 percent of the imports are from Australia, with the balance from Canada and Russia.

In spite of high international prices, vegetable oil imports in MY 2003/04 are estimated to increase by 5 percent to 838,000 tons. For the first time imports of palm oil, at 458,000 tons, exceed soybean oil imports (380,000 tons), because of the large price disparity between the two oils. Total vegetable oil imports in 2004/05 are forecast at 894,000 tons, including 420,000 tons of soybean oil, 450,000 tons of palm oil, and 24,000 tons of various refined oils. Palm oil imports are mostly from Malaysia and soybean oil imports from Brazil.

### Average Wholesale Prices of Vegetable Oils in Dhaka

Type	2000/01		2002/03		2002/03		2003/04	
	Taka	USD	Taka	USD	Taka	USD	Taka	USD
Soybean	36000	667	35000	625	45000	776	55000	940
Palm	32500	601	32000	571	40000	690	45000	769
Rapeseeds	48000	889	47500	848	55000	948	64000	1094

Average exchange rates: USD 1.00 = Taka 58.50 in 2003/04, Taka 58.00 in 2002/03, Taka 56.00 in 2001/02, and Taka 54.00 in 2000/01.

Assuming that the poultry industry will recover from the recent set back caused by the outbreak of Avian Influenza, soy meal imports are forecast to increase to 225,000 tons in 2004/05 from 190,000 tons in 2003/04. India is the sole supplier of soy meal to Bangladesh, with illegal border trade accounting for more than 50 percent of total imports.

## Policy

There are no quantitative restrictions on imports of vegetable oils, oilseeds, and oil meals. There are no government purchases of oilseeds and vegetable oils, and all imports are by the private trade. The existing tariff structure for vegetable oil and oilseeds, most of which have been in force since February 2003 are:

Product	Customs Duty	Development Surcharge	Adv. Income Tax	VAT	Total
Refined edible oils	7.5	0.0	2.5	15.0	25.0
Crude vegetable oils	7.5	0.0	2.5	15.0	25.0
Rape/Mustard Seeds	0.0	0.0	2.5	0.0	2.5

## SECTION II – STATISTICAL TABLES

Table 1: Commodity, Oil Palm, PSD

PSD Table							
Country:	Bangladesh						
Commodity:	Oil, Palm						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		07/2002		07/2003		7/2004	(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	41	46	30	33	0	51	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	398	395	450	458	0	450	(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)
<b>TOTAL SUPPLY</b>	439	441	480	491	0	501	(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.	58	58	60	66	0	75	(1000 MT)
Food Use Dom. Consump.	351	350	385	374	0	380	(1000 MT)
Feed Seed Waste Dm.Cn.	0	0	0	0	0	0	(1000 MT)
<b>Total Dom. Consumption</b>	409	408	445	440	0	455	(1000 MT)
Ending Stocks	30	33	35	51	0	46	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	439	441	480	491	0	501	(1000 MT)
Calendar Year Imports	425	420	458	500	0	440	(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

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric Ton
Commodity:	Oil, Palm		
Time period:	Jul - Jun		
Imports for	2002		2003
U.S.	0	U.S.	0
Others		Others	
Malaysia	293,000	Malaysia	314,000
Indonesia	87,000	Indonesia	128,000
Singapore	15,000	Singapore	16,000
Total for Others	395000		458000
Others not listed			
Grand Total	395000		458000

Table 3: Commodity, Oil Soybean, PSD

PSD Table							
Country:	Bangladesh						
Commodity:	Oil, Soybean						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Jul-02		Jul-03		Jul-04	(MONTH/YEAR)
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate	0	0	0	0	0	0	
Beginning Stocks	84	82	52	60	0	50	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	390	400	375	380	0	420	(1000 MT)
MY Imp. from U.S.	40	0	35	0	0	24	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
<b>TOTAL SUPPLY</b>	474	<b>482</b>	427	<b>440</b>	0	<b>470</b>	(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	86	86	84	74	0	75	(1000 MT)
Food Use Dom. Consump.	336	336	300	316	0	340	(1000 MT)
Feed Waste Dom. Consum.	0	0	0	0	0	0	(1000 MT)
<b>Total Dom. Consumption</b>	422	422	384	390	0	415	(1000 MT)
Ending Stocks	52	60	43	50	0	55	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	474	<b>482</b>	427	<b>440</b>	0	<b>470</b>	(1000 MT)
Calendar Year Imports	480	438	480	358	0	436	(1000 MT)
Calendar Yr Imp. U.S.	40	40	0	0	0	24	(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

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric Ton
Commodity:	Soybean	Oil	
Time period:	Jul - Jun		
Imports for	2002		2003
U.S.	800	U.S.	1,000
Others		Others	
Brazil	320,000	Brazil	311,000
Argentina	58,000	Argentina	48,000
Singapore	21,200	Singapore	20,000
Total for Others	399200		379000
Others not listed			
Grand Total	400000		380000