USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/1/2006

GAIN Report Number: BG6003

Bangladesh

Oilseeds and Products

Annual

2006

Approved by:
Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:
Sayed Sarwer Hussain

Report Highlights:
Bangladesh's vegetable oil imports, dominated by palm oil, are estimated to increase by five percent to around one million tons in MY 2005/06, and are forecast at almost the same level in MY 2006/07. Annual per capita consumption of vegetable oils has remained steady at around 8.7 kilograms.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[BG]

Table of Contents

SECTION I: SITUATION AND OUTLOOK

Production

Assuming normal weather conditions, MY 2006/07 (July-June) total oilseeds production is forecast at 332,000 tons, including 255,000 tons of mustard seed and 77,000 tons of other oilseeds, largely peanut. The current high prices of edible oils support increased planting. MY 2005/06 production is estimated at 326,000 tons, which includes 248,000 tons of mustard seed and 78,000 tons of other oilseeds. The 13 percent increase in mustard seed production in MY 2005/06 is attributed to higher yields and some increase in planted area. Bangladesh produces small quantities of soybeans (around 5,000 tons), which are not included in the total, as they are not crushed for oil.

Total oilseed crush in MY 2006/07 is forecast to increase by four percent to 733,000 tons, due to higher mustard seed production and likely larger imports of soybeans for crushing. The total oilseed crush in MY 2005/06 is estimated at 709,000 tons, which includes 134,000 tons of imported soybeans. The country’s first soybean extraction plant came into operation in December 2005, and another plant is expected to be commissioned shortly.

Based on the expected increased availability of oilseeds for crushing, edible oil production is forecast to reach 220,000 tons in MY 2006/07, including 33,000 tons of soy oil. MY 2005/06 production is estimated at 213,000 tons, including around 24,000 tons of soy oil.

Consumption

Total edible oil consumption in MY 2006/07 is forecast at 1.27 million tons, compared with 1.25 million tons in 2005/06. Following the increase in domestic oilseed production and in soybean imports for crushing, the current share of domestically produced oils in the total edible oil consumption is higher (about 17 percent). Despite a decline in the international prices for various vegetable oils in recent months, and a fall in their wholesale prices, domestic retail prices continue to remain high, as retailers respond to lower wholesale prices slowly.

Soybean oil consumption in MY 2005/06 is estimated at 247,000 tons, and is forecast to increase to 252,000 tons in MY 2006/07. Palm oil consumption is growing rapidly, due to increased imports on account of its lower price and its blending with the higher-priced soybean oil. Palm oil is used in Bangladesh as cooking oil in homes and restaurants, as well as by the food processing industry. Consumption is estimated at 810,000 tons in 2005/06, and is forecast at 825,000 tons in MY 2006/07. Due to the large price differentials between palm oil and soybean oil, local vegetable oil companies often adulterate soybean oil with palm oil, or misbrand palm oil as soybean oil. Higher soybean oil prices have also resulted in increased consumption of rapeseed/mustard oil, estimated at 190,000 tons in MY 2005/06. Rapeseed oil is mostly used for food preservation, while rapeseed meal is used for cattle feed and fertilizer for vegetable crop.

Trade

Oilseed imports in MY 2005/06 are estimated at 414,000 tons (280,000 tons mustard/rape seed, and 134,000 tons soybeans), and are forecast at 430,000 tons in MY 2006/07, including 180,000 tons of soybeans. Australia is the major supplier of rapeseed to Bangladesh, accounting for more than 80 percent of imports, followed by Canada and Russia. Soybeans are sourced mainly from Argentina.

Vegetable oil imports in MY 2005/06 are estimated around 1.0 million tons, up five percent from the MY 2004/05 imports. Palm oil imports are growing because of the oil's lower price vis-à-vis soybean oil, and are estimated at 820,000 tons in MY 2005/06 (mostly from Malaysia). MY 2006/07 imports are forecast to remain unchanged due to large stocks. Large scale smuggling of palm oil to India from Bangladesh, because of India's higher import duty, is also believed to be a factor for the recent high volume of palm oil imports into Bangladesh. According to industry sources, over 100,000 tons of palm oil illegally move across the border to India each year. MY 2005/06 soybean oil imports are estimated at 230,000 tons, and are forecast at 220,000 tons in 2006/07. Brazil normally supplies 80 percent of Bangladesh's crude soy oil imports. Bangladesh commercially imports around 20,000 tons of refined edible oils annually, including 2,000 tons of U.S. origin, in consumer packs, mostly through consolidators in Singapore and Dubai. The demand for such high quality edible oils is increasing among the higher income segment of the population.

Imports of soy meal in MY 2005/06 are estimated at 170,000 tons, and are forecast to decline to 150,000 tons in MY 2006/07 due to increased domestic crushing. India is the sole supplier of soy meal to Bangladesh, with a major share arriving through border trade, almost half of it illegal.

Marketing

The recently commissioned soybean processing plant in Chittagong, with a processing capacity of 360,000 tons per year, represents a potential market for U.S. soybeans, provided prices are competitive vis-à-vis South American suppliers. Post recommends increased market promotion activities by the U.S. Soybean Export Council (USSEC), which should be aimed at demand building and establishing a preference for U.S. soybeans and products. Following initiatives by the USSEC, a few pharmaceutical companies in Bangladesh have started using US-origin soy isolates and protein concentrates in their health and nutrition products.

Policy

The Bangladeshi government instituted a zero customs duty and a zero value added tax (VAT) on oilseed imports, including soybeans, in order to support the local crushing industry. This industry enjoys incentive packages, such as duty-free imports of machinery, under the Industrial Policy of Bangladesh. There are no quantitative restrictions on imports of vegetable oils, oilseeds, and oil meals in Bangladesh. Commercial imports of oilseeds and oils are carried out entirely by the private sector.

Current tariff rate structure of vegetable oils and oilseeds

Description	Customs Duty (%)	Development Surcharge(%)	Advance Income Tax(%)	VAT (%)	Total (%)
Refined edible oils	6.0	0.0	2.5	15.0	25.0
Crude vegetable oils	6.0	0.0	2.5	15.0	25.0
Oilseeds	0.0	0.0	2.5	0.0	2.5

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Oil, Soybean, PSD

PSD Table							
Country	**Bangladesh**						
Commodity	**Oil, Soybean**				(1000 MT) (PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Crush	111	63	150	134	0	180	(1000 MT)
Extr. Rate, 999.9999	0.18018	0.174603	0.18	0.179104	0	0.183333	(PERCENT)
Beginning Stocks	37	37	20	11	18	18	(1000 MT)
Production	20	11	27	24	0	33	(1000 MT)
MY Imports	247	247	250	230	0	220	(1000 MT)
MY Imp. from U.S.	0	7	5	5	0	5	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	**304**	**295**	**297**	**265**	**18**	**271**	(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	78	78	80	65	0	65	(1000 MT)
Food Use Dom. Consump.	206	206	199	182	0	187	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	284	284	279	247	0	252	(1000 MT)
Ending Stocks	20	11	18	18	0	19	(1000 MT)
TOTAL DISTRIBUTION	**304**	**295**	**297**	**265**	**0**	**271**	(1000 MT)
Calendar Year Imports	310	318	0	195	0	200	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	5	0	5	(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, PSD

PSD Table							
Country	**Bangladesh**						
Commodity	**Oil, Palm**				(1000 HA) (1000 TREES) (1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
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	29	29	39	39	45	49	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	757	757	820	820	0	820	(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	**786**	**786**	**859**	**859**	**45**	**869**	(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	75	75	94	120	0	125	(1000 MT)
Food Use Dom. Consump.	672	672	720	690	0	700	(1000 MT)
Feed Waste Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	747	747	814	810	0	825	(1000 MT)
Ending Stocks	39	39	45	49	0	44	(1000 MT)
TOTAL DISTRIBUTION	**786**	**786**	**859**	**859**	**0**	**869**	(1000 MT)
Calendar Year Imports	0	690	0	827	0	825	(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 3: Commodity, Oil, Soybean, Import Trade Matrix

Import Trade Matrix			
Country	**Bangladesh**		
Commodity	**Oil, Soybean**		
Time Period	Jul-Jun	Units:	Metric ton
Imports for:	2004		**2005**
U.S.	5000	U.S.	5000
Others		Others	
Brazil	207000	Brazil	196000
Argentina	24000	Argentina	20000
Singapore	8000	Singapore	6000
Total for Others	239000		222000
Others not Listed	3000		3000
Grand Total	247000		230000

Table 4: Commodity, Oil, Palm, Import Trade Matrix

Import Trade Matrix			
Country	**Bangladesh**		
Commodity	**Oil, Palm**		
Time Period	Jul-Jun	Units:	Metric Ton
Imports for:	2004		**2005**
U.S.		U.S.	
Others		Others	
Malaysia	614000	Malaysia	667000
Indonesia	130000	Indonesia	140000
Singapore	13000	Singapore	13000
Total for Others	757000		820000
Others not Listed			
Grand Total	757000		820000