

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 2/23/2010

**GAIN Report Number:** BG1001

## Bangladesh

### Grain and Feed Annual

**2010**

**Approved By:**

David Leishman

**Prepared By:**

Sayed Sarwer Hussain

**Report Highlights:**

Assuming normal weather conditions, Bangladesh's foodgrain production in MY 2010/11 is forecast at 33.3 million tons (32.3 million tons of rice and 1.0 million tons of wheat), up by 2 percent from the current MY 2009/10 productions. Imports of foodgrains are forecast at 400,000 tons of rice and 2.5 million tons of wheat. Bangladeshi importers are currently sourcing their wheat from other origins due to an Indian ban on wheat exports.

## Commodities:

### Rice, Milled

## Production:

Assuming a normal summer monsoon, MY 2010/11 (July-June) rice production in Bangladesh is forecast at 32.3 million tons from 11.7 million hectares of land.

Rice production in MY 2009/10 is estimated at 31.6 million tons up by about 2 percent from MY 2008/09 production. Bangladesh harvests three rice crops a year. The MY 2009/10 first rice crop, locally called “*Aus*” (planted in March/April and harvested in June/July) is estimated to produce 1.6 million tons. The second crop “*Aman*” (planted in July/August and harvested in November/December) was affected by poor monsoon countrywide and a drought like situation in a large part of the country at its planting stage. The crop however benefited from sufficient monsoon rains and favorable weather conditions throughout its vegetative growth stage. The government’s initiative to ensure electricity free of charge to run pumps for supplementary irrigation, the ready availability of fertilizer, credit supports, and extension services also helped the crop recover well from the initial less than optimal start. The production of the crop is estimated at 12.5 million tons, same as that of the last year’s crop. The last and irrigation dependent rice crop of the year “*Boro*” (planted in December/January and harvested in April/May), currently at its vegetative stage, is benefiting from favorable weather conditions and is forecast to produce 17.5 million tons. The Government of Bangladesh (GOB) is very keen to maintain food security and as such to achieve self-sufficiency in foodgrain production based on rice. To this end, the GOB recently introduced an “Input Distribution Card” for nine million small and marginal farmers of the country. The cards has been in use from the current Boro crop season to ensure the farmers get the cash subsidy for using electricity and for buying diesel to run irrigation pumps, for obtaining fertilizer at government fixed price and to avail themselves of other supports provided by the government (i.e. agricultural credit at a preferential rate of interest). Area and production estimates of rice by season are shown below in Table 1.

Table 1: Area and Production of rice by seasons

Crop	2008/09 (Estimate)		2009/10 (Estimate)		2010/11 (Forecast)	
	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)	Area (tha)	Production (tmt)
Aus	1,020	1,500	1,000	1,600	1,000	1,500
Aman	5,780	12,500	5,800	12,500	5,800	12,800
Boro	4,800	17,000	4,800	17,500	4,900	18,000
<b>Total Rice</b>	<b>11,600</b>	<b>31,000</b>	<b>11,600</b>	<b>31,600</b>	<b>11,700</b>	<b>32,300</b>

## Consumption:

Rice consumption (food, seed, and feed use together) in MY 2010/11 is forecast at 33 million tons assuming a stable wheat supply situation in the Country. Consumption in MY 2009/10 is estimated at 32 million tons up by around 3 percent from MY 2008/09 consumptions.

Bumper rice productions in consecutive seasons resulted in a very good stock of rice at government and traders level. The average wholesale price of coarse rice was Taka 21750 (US \$320) per ton in December 2009, as compared to Taka 24590 (US \$362) in December 2008. The declining trend of rice price since the beginning of MY 2008/09 continued until October of the current MY 2009/10 when the price of rice started to rise. Rice price in January, 2010 marginally crossed the last year’s price level at this time. The current rising trend of rice prices is unprecedented especially after the harvest of a good Aman rice crop.

## Trade:

Based on the current production forecast, and considering the large carryover stocks held by the farmers, traders and the government, rice imports in MY 2010/11 are forecast at 400,000 tons.

Rice imports in MY 2009/10 are estimated at 400,000 tons (comprising of 200,000 tons public sector imports and the rest private sector imports) as compared to 602,000 tons in MY 2008/09. On a calendar year basis, rice imports in 2009 are estimated at 146,000 tons as compared to 1.68 million tons in 2008, the year heavily affected by crop losses due to cyclones and floods.

According to official sources, there was no commercial import of rice during current year's July-January period due mainly to low domestic prices. The only import recorded was 3,600 tons in food aid. During the same period in MY2008/09 rice imports were 1.18 million tons. Recently, the GOB decided to import 300,000 tons of rice to build up stocks.

Approximately 200,000 tons are likely to be procured in current marketing year. Government intervention to keep the price of rice low in the domestic market is a discouraging factor for private sector in importing rice. However, with the current increasing trend of rice prices in the local market, the private sector is expected to resume rice imports shortly.

### **Stocks:**

Public sector beginning stocks of rice in MY 2009/10 are estimated at 1.15 million tons. In addition to these, stocks of about 8 million tons of rice are estimated to be carried over with the farmers and the traders. However, these private stocks are not included in the PS&D table. The government's rice procurement target for MY 2009/10 is 1.5 million tons, as compared to last year's actual procurement of 1.45 million tons. The government held stock as on December 31, 2009 was 983,000 tons as compared to 842,000 ton on December 31, 2008. The MY 2009/10 target of public distribution of rice is 1.8 million tons comprising of 1.1 million tons free distribution in kind to the rural vulnerable population and 700,000 tons sales at subsidized prices. Actual distribution of rice by the government was 1.76 million tons in MY 2008/09 out of which about 80 percent was free distribution in kind and the rest was subsidized sales.

### **Policy:**

Rice imports into Bangladesh are currently duty free. There is no quantitative restriction on rice imports. A ban on export of rice has been in force since May 2008.

### **Marketing:**

Bangladesh is typically a price buyer generally purchasing lower quality (25% or more broken) parboiled rice. However, there remains a small niche market for high quality rice (basmati or its equivalent) imported from India/Pakistan. Due to the advantage of geographical proximity, India had been the principal supplier of Bangladesh's imported rice. But the ban on Indian rice export has pushed Bangladeshi importers source rice from other countries like Myanmar, Vietnam, China and Thailand. Importing rice from the U. S. is not commercially viable due to high freight cost, high price and longer shipping period as compared to other origins.

## Production, Supply and Demand Data Statistics:

**Table 2: Commodity, Rice, Milled, PSD**

Rice, Milled Bangladesh	2008			2009			2010	
	2008/2009			2009/2010			2010/2011	
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010	
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data	Feb
			Data			Data		Data
Area Harvested	11,600	11,600	11,100	11,600	11,600	11,600		11,700
Beginning Stocks	546	546	546	1,148	1,148	1,148		1,148
Milled Production	31,000	31,000	31,000	30,000	30,000	31,600		32,300
Rough Production	46505	46505	46505	45005	45005	47405		48455
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666		6,666
MY Imports	602	602	602	700	700	400		400
TY Imports	175	500	146	500	500	500		400
TY Imp. from U.S.	0	0	0	0	0	0		0
Total Supply	32,148	32,148	32,148	31,848	31,848	33,148		33,848
MY Exports	0	0	0	0	0	0		0
TY Exports	0	0	0	0	0	0		0
Total Consumption	31,000	31,000	31,000	31,400	31,400	32,000		33,000

## Commodities:

### Wheat

## Production:

The MY2009/10 wheat crop, currently in vegetative stage, is enjoying favorable weather conditions and is estimated to produce 1 million tons from 400,000 hectares of land. Assuming normal weather conditions, wheat production in MY 2010/11 is forecast at 1.02 million tons with cultivated area remaining the same. Wheat crop acreage has been stable in last couple of years due to strong domestic prices. Factors like commercially viable import opportunities, competition from other remunerative crops like rice, maize, potato, and winter vegetables, and absence of suitable high yielding varieties (HYVs) are hindering expansion of wheat crop acreage in Bangladesh. However, wheat continues to remain a preferred option with low farm input-use (fertilizer, insecticides, and labor) cultivation under non-irrigated conditions. Corn cultivation is expanding rapidly with the growing demands from the livestock industry.

**Consumption:**

MY 2010/11 wheat consumption is forecast at 3.5 million tons. Wheat consumption in MY 2009/10 is estimated at 3.4 million tons, up by about 10 percent from MY 2008/09 consumption due to the improved supply and price situation. Wheat distribution under government run Public Food Distribution System (PFDS) has been scaled down in recent years, thus affecting consumption by the rural population (which constitutes more than 70 percent of the country's population). Wheat consumption by middle and high income populations in the urban areas is growing steadily due to changes in food habits and the growth in hotels and restaurants industry (HRI) sector. The growing bakery sector is also contributing to the increase in wheat consumption. While in the rural area coarse wheat flour '*Atta*' are sold in loose bulk form, in the urban areas millers are marketing packaged refined wheat flour under brand names.

The average wholesale wheat price in December 2009 was Taka 16410 (US \$238) per ton as compared to Taka 19240 (US \$279) in December 2008. Currently, the retail price of wheat is also in the rise.

**Trade:**

Wheat imports in MY 2010/11 are forecast at 2.5 million tons consisting of 500,000 tons public sector imports and 2 million tons private commercial imports. Wheat imports in MY 2009/10 are estimated at 2.6 million tons, compared to 2.4 million tons in MY 2008/09. The GOB has set a target of importing 500,000 tons of wheat to build up its buffer stock, out of which 104,000 tons have arrived, and a further 226,000 tons are en route. Due to India's wheat export ban, Bangladeshi importers are buying wheat from east European countries, Canada, Australia and Argentina.

According to official data, during the current MY 2009/10 through January 2009, a total of over 2 million tons of wheat has been imported where the contribution of the government import is only 104,000 tons. During the same period in the MY 2008/09 wheat imports were 765,000 tons. Many of the government tenders are never finalized due to high price quotes by the bidders in order to cover the risk factors associated with the restrictive government tender terms and conditions. Some recent changes in government's wheat tender terms include reducing the performance guarantee (PG) down to 5 percent from 10 Percent, increasing the maximum shipment period to 60 days from 30 days, and increasing the minimum quantity offered to 30,000 tons from 25,000 tons. But still, the provision of "weight and quality at final discharge", remains as an important factor that discourages major international suppliers from participating in the government wheat import tenders.

**Stocks:**

Government held beginning stocks of wheat in the MY 2009/10 were 385,000 tons as compared to 326,000 tons in MY 2007/08. As of December 31, 2009 wheat stocks held by the government were recorded at 248,000 tons, compared to 370,000 ton a year ago. GOB imports during the rest of the year will build wheat stock to an estimated 435,000 tons. Trade sources indicate that there is a stock of over 600,000 tons of wheat at the hands of the millers and the traders which is not included in the PS&D table.

**Policy:**

Wheat imports are currently duty free. There is no quantitative restriction on wheat imports.

**Marketing:**

Bangladesh is predominantly a buyer of inexpensive lower quality wheat. India is the preferred origin due to low price and low freight cost. Following India's wheat export ban, Bangladeshi importers are depending largely on east European and Central Asian countries for low quality wheat. Higher quality wheat is imported from Australia and Canada, and occasionally from the U.S. Due to fall of wheat prices in the international market, the Bangladeshi private sector is now importing large quantities of wheat. However, given the supply and price situation, the import volume of U.S. wheat appears to depend on prevailing freight costs.

## Production, Supply and Demand Data Statistics:

Table 3: Commodity, Wheat, PSD

Wheat Bangladesh	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Sep
			Data			Data			Data
Area Harvested	400	400	400	400	400	400			400
Beginning Stocks	382	326	326	844	495	385			435
Production	880	844	849	1,000	1,000	1,000			1,000
MY Imports	2,882	2,425	2,410	2,600	2,400	2,600			2,500
TY Imports	2,882	2,425	2,410	2,600	2,400	2,600			2,500
TY Imp. from U.S.	102	100	102	0	50	50			100
Total Supply	4,144	3,595	3,585	4,444	3,895	3,985			3,935
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed Consumption	0	0	0	0	0	0			0
FSI Consumption	3,300	3,100	3,200	3,500	3,500	3,550			3,600
Total Consumption	3,300	3,100	3,200	3,500	3,500	3,550			3,600
Ending Stocks	844	495	385	944	395	435			335
Total Distribution	4,144	3,595	3,585	4,444	3,895	3,985			3,935

**Author Defined:**

**Table 4: Commodity, Rice, Import Trade Matrix**

<b>Import Trade Matrix</b>			
<b>Country</b>	Bangladesh		
<b>Commodity</b>	Rice, Milled		
Time Period		Units:	
Imports for:	2008		<b>2009</b>
U.S.		U.S.	
Others		Others	
India	1,300,000	India	-
Pakistan	24,000	Myanmar	75,000
Thailand	20,000	Pakistan	12,000
Vietnam	30,000	Vietnam	14,000
Myanmar	180,000	China	5,000
China	4000	China	
Total for Others	1,558,000		106,000
Others not Listed	100,000		40,000
Grand Total	1,658,000		146,000

**Table 5: Commodity, Rice, Prices Table**

<b>Prices Table</b>			
<b>Country</b>	Bangladesh		
<b>Commodity</b>	Rice, Milled		
Prices in	2009	per uom	
Year	2008	2009	% Change
Jan	28000	24800	-11%
Feb	28400	23380	-18%
Mar	29000	21540	-26%
Apr	31500	19240	-39%
May	29500	19220	-35%
Jun	29000	19270	-34%
Jul	31000	19190	-38%
Aug	31000	19040	-39%
Sep	30500	19160	-37%
Oct	30200	20590	-32%
Nov	28000	20610	-26%
Dec	27000	22410	-17%
Exchange Rate	69	Local Currency/US \$	
Date of Quote	210/2010	MM/DD/YYYY	

**Table 6: Commodity, Wheat, Import Trade Matrix**

<b>Import Trade Matrix</b>			
<b>Country</b>	Bangladesh		
<b>Commodity</b>	Wheat		
Time Period	Jul/Jun	Units:	
Imports for:	2008		<b>2009</b>
U.S.	120,000	U.S.	50000
Others		Others	
Canada	175,000	Canada	150,000
Australia	370,000	Australia	300,000
Argentina	120,000	Argentina	120,000
Russia	250,000	Russia	400,000
Ukraine		Ukraine	1,200,000



	1,125,000		
Kazakhstan	50,000	Kazakhstan	50,000
		Singapore	100,000
Total for Others	2,090,000		2,320,000
Others not Listed	200,000		230,000
Grand Total	2,410,000		2,600,000

**Table 7: Commodity, Wheat, Prices Table**

<b>Prices Table</b>			
<b>Country</b>	Bangladesh		
<b>Commodity</b>	Wheat		
Prices in	2008	per uom	
Year	2008	2009	% Change
Jan	30400	17930	-41%
Feb	31000	18830	-39%
Mar	32000	16260	-49%
Apr	30500	15150	-50%
May	30500	14980	-51%
Jun	30500	15120	-50%
Jul	30720	15160	-51%
Aug	31520	15250	-52%
Sep	30550	15340	-50%
Oct	28290	15850	-44%
Nov	26380	16040	-39%
Dec	21200	19380	-9%
Exchange Rate	69	Local Currency/US \$	
Date of Quote	2/10/2010	MM/DD/YYYY	