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Grain and Feed Annual

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Report Highlights:

For MY 2016/17 (May-April), total rice area and production levels are projected to increase slightly to 11.8 million hectares (HA) and 34.55 million metric tons (MMT) assuming good weather and a recovery in *Aman* rice area. MY 2016/17 rice imports are estimated to increase to 1.3 MMT due to less total supply because of low imports and production in MY 2015/16. For MY 2016/17, wheat imports are forecast at 4.2 MMT because of a growing population and expectations of low international prices.

Executive Summary:

For MY 2016/17 (May-April), total rice area and production levels are projected to increase slightly to 11.8 million hectares (HA) and 34.55 million metric tons (MMT) assuming good weather and recovery in *Aman* rice area. In MY 2015/16, total rice area and production is revised down to 11.765 million HA and 34.5 MMT due to severe flooding in 12 Districts that washed away or heavily submerged *Aman* rice late in the season, making replanting impossible. MY 2016/17 rice imports are estimated to increase to 1.3 MMT due to less total supply because of low imports and production in MY 2015/16. MY 2016/17 wheat area and production is forecast to increase to 425,000 HA and 1.335 MMT on strong prices and good weather. MY 2015/16 wheat production is lowered slightly to 1.3 MMT due to reports of a disease (possibly wheat blast) that allegedly affected approximately 10 percent of the crop. For MY 2016/17, wheat imports are forecast at 4.2 MMT because of a growing population and expectations of low international prices.

Commodities:

Rice, Milled

Production:

For MY 2016/17 (May-April), total rice area and production levels are projected to increase slightly to 11.8 million hectares (HA) and 34.55 million metric tons (MMT) assuming good weather and a recovery in *Aman* rice area, which fell last year due to flooding in key Districts (see below paragraph and Table 1). *Boro* rice area is estimated to decrease as farmers are expected to switch to more profitable crops, especially corn (see Table 3); contacts believe other possible alternatives may include wheat, mustard, lentils, and onions. *Aus* rice area is to remain steady. Although the Government of Bangladesh (GOB) is providing subsidies for various inputs such as seed and fertilizer (20 kg of urea, 10 kg of Di-Ammonium Phosphate, and 10 kg of Muriate of Potash) to incentivize farmers to grow more *Aus* rice, many farmers prefer to grow jute because of higher profit margins. Jute is regularly purchased by the jute manufacturing industry to fulfill a government mandate to produce bulk burlap bags for various commodities such as rice, wheat, corn, fertilizer, and sugar.

In MY 2015/16, total rice area and production is revised down to 11.765 million HA and 34.5 MMT due to severe flooding in 12 Districts that washed away or heavily submerged *Aman* rice late in the season, making replanting impossible. After the flooding, the GOB distributed cash, fertilizer, and wheat, corn, melon, lentil, and mungbean seeds to help farmers recover losses; reportedly, most farmers used the resources to grow wheat and corn.

Double-cropping is the preferred cropping pattern for grains in Bangladesh, and usually follows this cycle: *Boro* rice-fallow area-*Aman* rice. 52 percent of all agricultural area is double-cropped, while 29 and 19 percent is single- and triple-cropped, respectively. During the *Boro* season, a significant number of farmers use two seed varieties: BARI Dhan 28 and BRRI Dhan 29, which some contacts believe are becoming more vulnerable to insects and disease. Some farmers use Indian developed seed varieties because they believe it is hardier or drought tolerant.

Table 1. Bangladesh: *Boro, Aus,* and *Aman* Rice Area and Production Estimates

Crop Season Rice	2014/15	2015/16	2016/17

	(Estimate)		(Estimate)		(Forecast)	
	Area 1,000 HA	Production 1,000 MT	Area 1,000 HA	Production 1,000 MT	Area 1,000 HA	Production 1,000 MT
Boro	4,680	18,600	4,700	18,700	4,680	18,600
Aus	1,220	2,600	1,220	2,600	1,220	2,600
Aman	5,890	13,300	5,845	13,200	5,900	13,350
Total Rice	11,790	34,500	11,765	34,500	11,800	34,550

Table 2. Bangladesh: *Boro* Rice Competes with the Most Alternative Crops

Growing Season	Competing Crops
Boro – Winter crop (Oct 15 – March 15)	*Boro* rice, potato, wheat, maize, sugarcane, cotton, mustard, lentils, onions, soybeans, groundnust, and vegetables
Aus – Summer crop (March 15 – July 15)	*Aus* rice, jute, maize, mungbeans, ginger, chili, onions, groundnuts and vegetables
Aman – Monsoon crop (July 15 – Oct 15)	*Aman* rice, cotton, jute, black gram, and soybeans

Source: Crop Calendar of Krishi Diary

Table 3. Bangladesh: Corn and Wheat More Profitable than *Boro* Rice

Crops	**Irrigation cost ($/HA)**	**Production cost ($/HA)**	**Yield (MT/HA)**	**Break-Even Price ($/kg)**	**Market Price ($/kg)**	**Return ($/HA)**	**Margin ($/HA)**	**Benefit Cost Ratio**
Boro Rice	$178	$1,319	5.389	$0.23	$0.19	$1,080.72	-$238.28	0.82
Wheat	$76	$663	3.742	$0.18	$0.22	$823.24	$160.24	1.24
Corn	$95	$1,421	11.976	$0.12	$0.19	$2275.44	$854.44	1.6

Source: Post contacts

Trade:

MY 2016/17 rice imports are projected to increase to 1.3 MMT due to less total supplies because of low imports and production in MY 2015/16. MY 2015/16 imports are estimated to fall to 350,000 MT because of slow import pace, which is likely caused by the application of a new 20 percent tariff (see Policy section). For November, 2015, before the implementation of the 20 percent tariff, Post contacts stated rice import prices were BDT 26.40 ($ 0.33) per kg, which was about one BDT ($.01) less expensive than wholesale market prices. Bangladesh primarily imports rice from China, Thailand, and India; India has been the largest supplier in recent years.

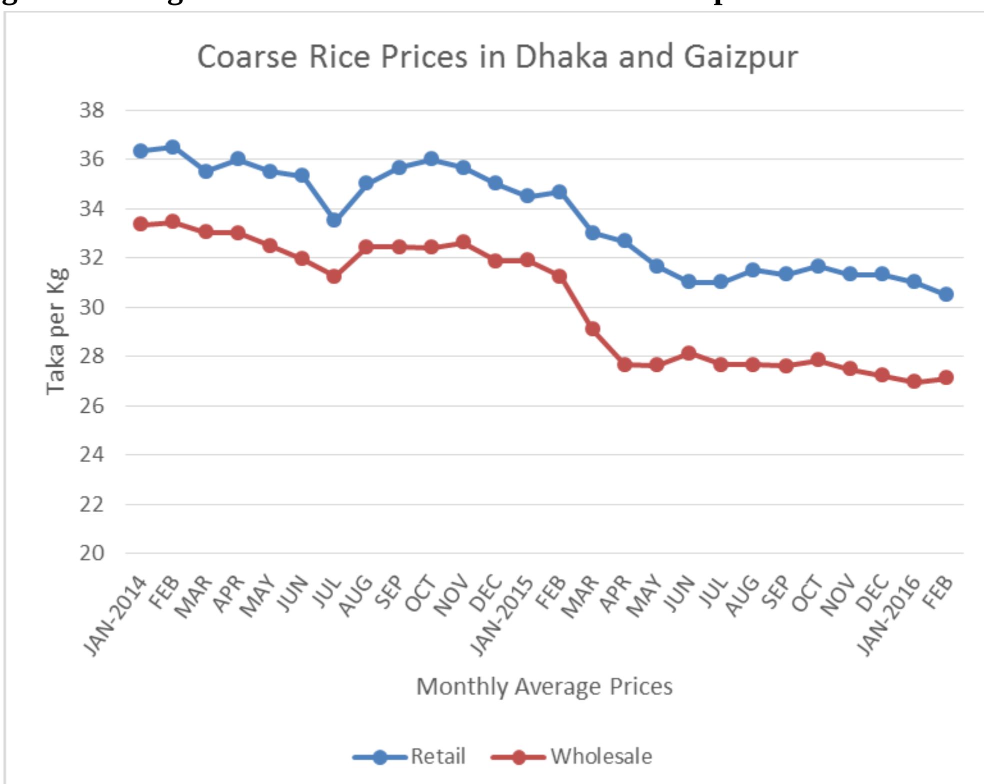
Stocks:

According to the Ministry of Food (MOF), as of March 27, 2016 public rice stocks are estimated at 997,530 MT, which is approximately 5 percent higher than last year. From November 12, 2015 to March 13, 2016, the MOF procured 194,366 MT of *Aman* rice at BDT 31 ($ 0.29) per kilogram. Post contacts noted that on February 25, 2016 the GOB lowered the open market sale (OMS) price by 25 percent to BDT 15 ($0.19) per kilogram to encourage sales and reduce stocks for future *Boro* rice procurement. The MOF noted that within the next four years the GOB plans to construct a concrete grain silo (50,000 MT) at Mongla port, multistoried grain warehouses (25,000 MT) in Bogra, and eight steel silos (935,500 MT) in Barisal, Narayanganj, Dhaka, Brahmanbaria, Mymensingh, Khulna, Chittagong, and Tangail District.

Prices

For February 2016, the wholesale and retail prices for rice in Dhaka and Gazipur districts were BDT 27.1 ($0.34) and BDT 30.5 ($0.39) per kilogram, 13.2 and 12 percent less than last year (See Figure 1). Over the past few months, wholesale and retail prices have generally remained steady, likely due to recently available local supplies after the beginning of the *Aman* rice harvest in November, 2015.

Figure 1. Bangladesh: Rice Prices in Dhaka and Gaizpur



Source: Department of Agricultural Marketing

Policy:

On December 8, 2015, the GOB imposed a 20 percent import tariff on husked (brown) rice, fortified rice kernels, and other semi-milled or wholly-milled rice to prevent less expensive imports from competing with domestic rice. Imports likely have slowed due to the import tariff; Post projects this will result in lower ending stocks and total supplies for MY 2015/16 if imports do not rise (Please see the Production and Trade sections).

The Ministry of Planning recently published the Seventh Five Year Plan (SFYP) (2016-2020), which provides recommendations for future initiatives in various sectors. For agricultural development, the SFYP emphasizes the use of new or modern agricultural technologies and production methods such as laser guided land levelers, pipe irrigation, drip and sprinkler irrigation, hydroponic vegetable production, urea super granules, and integrated pest management. It also highlights the importance of Good Agricultural Practices (GAP), solar power, saline tolerant *Boro* rice production in the southern and coastal regions, female employment in agriculture, and the development of improved seed varieties for jute, cotton, tea, aromatic rice, and flowers.

Marketing:

Bangladesh typically purchases lower-quality (25 percent or more broken) parboiled rice. A small niche market exists for high quality (e.g. basmati) rice imports. Historically, U.S. rice exports have not been price competitive.

Production, Supply and Demand Data Statistics:

Table 4. Bangladesh: Commodity, Rice, Milled, PSD
(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Rice, Milled	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**May 2014**		**May 2015**		**May 2016**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	11,790	11,790	12,000	11,765	0	11,800
Beginning Stocks	937	937	1,436	1,436	0	786
Milled Production	34,500	34,500	34,600	34,500	0	34,550
Rough Production	51,755	51,755	51,905	51,755	0	51,830
Milling Rate (.9999)	6,666	6,666	6,666	6,666	0	6,666
MY Imports	1,224	1,224	600	350	0	1,300
TY Imports	600	600	600	900	0	1,300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	36,661	36,661	36,636	36,286	0	36,636
MY Exports	25	25	0	0	0	0
TY Exports	25	25	0	0	0	0
Consumption and Residual	35,200	35,200	35,500	35,500	0	35,800
Ending Stocks	1,436	1,436	1,136	786	0	836
Total Distribution	36,661	36,661	36,636	36,286	0	36,636

Yield (Rough)	4.3897	4.3897	4.3254	4.3991	0.0000	4.3924

Commodities:
Wheat

Production:

MY 2016/17 wheat area is projected to increase to 425,000 HA; some farmers are predicted to plant wheat at the expense of *Boro* rice on expectations of higher profit margins. MY 2016/17 production is estimated at 1.335 MMT assuming good weather. For MY 2015/16, Post contacts believe that wheat area rose over the previous year due to competitive prices; Post lowered production slightly to 1.3 MMT due to reports of a disease (possibly wheat blast) that allegedly affected approximately 10 percent of the crop. Officials and scientists noted the outbreak may have emerged due to excessive rain/moisture followed by high temperatures. An ongoing investigation is currently assessing the total yield loss and cause of the disease.

Imports

For MY 2016/17, wheat imports are forecast at 4.2 MMT due to a rising population and expectations of low international prices. Over 81 percent of Bangladesh’s consumption is fulfilled by imports. Major wheat suppliers include Canada, Ukraine, and Russia; Canada has the highest export market share at 27 percent. The MY 2015/16 import estimate was raised to 4 MMT on strong import pace. MY 2014/15 imports were revised to 3.913 MMT based on customs data.

During the Bangladeshi fiscal year 2015-2016 (July-June), Post contacts noted that the private sector purchased approximately 90 percent of all imports; the share of GOB imports was less because of high government stocks. Private sector import demand is expected to remain strong for MY 2016/17; it is unclear whether GOB demand will rise as it is currently providing cash in lieu of distributing wheat via the public food distribution system.

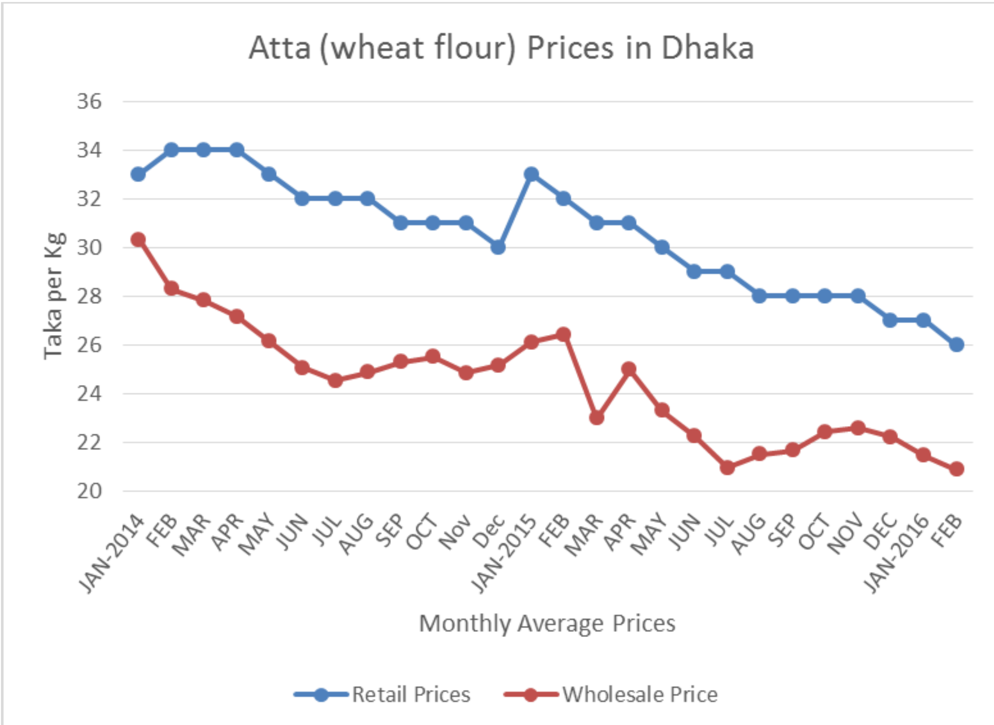
Stocks:

According to the MOF, as of March 27, 2016, public wheat stocks are estimated at 345,420 MT, which is 176 percent higher than last year. Post contacts predict that high government stocks may mitigate GOB import demand for MY 2016/17 (Please see the Import section). In order to reduce stocks, in February 25, 2016 the GOB lowered the OMS price for wheat flour by 10 percent to BDT 17 ($0.22) per kilogram.

Prices

In February, 2016, average wholesale and retail prices of loose wheat flour (atta) in Dhaka market were BDT 20 ($0.25) and BDT 26 ($0.33) per kilogram (Figure 2). Wholesale and retail market prices of packaged flour (per kilogram) were 46 and 27 percent higher than loose flour (atta). Low international wheat prices and high stocks have kept domestic wheat flour prices low over the last few months.

Figure 2. Bangladesh: Coarse Wheat Flour Retails Prices Increasing in Dhaka



Source: Department of Agricultural Marketing

Policy:

On May 20, 2015 the GOB rejected a Brazilian wheat shipment (52,500 MT) due to document discrepancies and possible quality concerns. In July and September 2015, Post contacts noted that the GOB rejected wheat import consignments from France, totaling approximately 126,000 MT, because of quality issues. Due to these incidents, the GOB narrowed its quality parameters for future tenders. Please see BG5007 and BG6002 for more information.

Marketing:

Bangladesh is a very price sensitive market. Although Bangladeshi importers may be willing to pay an additional $10 to $15 per ton CIF for premium wheat, this mark-up usually is not enough to cover freight from distant origins. As a result, premium wheat from the United States is generally uncompetitive. Likewise, longer delivery periods also create problems for some buyers.

The GOB does not accept a certificate from the country of export certifying weight and quality (e.g., FGIS' Official Export Inspection Certificate). This creates significant uncertainly for U.S. exporters as weight and quality are decided at final discharge; as a result, participation from the U.S. trade in GOB tenders generally remains low.

Production, Supply and Demand Data Statistics:

Table 5. Bangladesh: Commodity, Wheat, PSD
(Area in Thousand Hectares and Quantity in Thousand Metric Tons)

Wheat	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**Jul 2014**		**Jul 2015**		**July 2016**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	415	415	420	420	0	425
Beginning Stocks	1,338	1,338	1,641	1,751	0	1,751
Production	1,300	1,300	1,320	1,300	0	1,335
MY Imports	3,803	3,913	3,800	4,000	0	4,200
TY Imports	3,803	3,913	3,800	4,000	0	4,200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6,441	6,551	6,761	7,051	0	7,286
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	4,800	4,800	5,300	5,300	0	5,900
Total Consumption	4,800	4,800	5,300	5,300	0	5,900
Ending Stocks	1,641	1,751	1,461	1,751	0	1,386
Total Distribution	6,441	6,551	6,761	7,051	0	7,286
Yield	3.1325	3.1325	3.1429	3.0952	0.0000	3.1412