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Bangladesh

Grain and Feed Update

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Report Highlights:

Bangladesh rice production in marketing year (MY) 2017/18 is forecast lower at 34.18 million metric tons (MMT). Unfavorable weather conditions during critical development stages drove yields lower for the *Boro* rice season. MY 2017/18 rice imports are forecast up at 1.2 MMT due to significantly reduced domestic production. MY 2017/18 projected wheat imports are raised to 6 MMT on increased consumption demand and lower domestic production in MY 2016/17. Corn consumption as feed is raised to 3.8 MMT in MY 2017/18 on expanding aqua culture production and increased feed processing capacity.

Post:

Dhaka

Commodities:

Rice, Milled

Wheat

Corn

Author Defined:**Production:**

For MY 2017/18 (May/April), Post's rice production forecast is revised down to 34.18 MMT from 11.6 million hectares on reduced harvesting of *Boro* rice and marginal expectation of increased *Aus* and *Aman* rice cultivation area.

The *Boro* rice production estimate is lowered to 17.8 MMT on crop losses caused by neck blast disease as well as adverse weather, including hailstorms and repeated flash floods, during an unusually heavy pre-monsoon rain 20 days before harvest: heavy rainfall fell from late March to the middle of May. The flooding damaged over 1 MMT tons of *Boro* rice crop across 400,000 hectares of wetlands (in Haor) and lowlands in nine districts. Estimations of crop loss range from 0.7 to 1.2 MMT (GOB), to 1-1.5 MMT (agricultural experts), to 4 to 5 MMT (rice miller and wholesaler associations). The rainfall in March and April was 152% and 106% higher than average. Rainfall in April was the highest in 35 years. The crop loss (11,000 MT) was aggravated by a fungi (neck blast) attack on a limited area (2500 to 3000 ha) of *Boro* rice crop at several northern and southern districts of the country. It affected mostly rice variety BR-28 and BR-29 and reportedly resulted from temperature extremes, prolonged dew, adverse weather, lower quality seed, and late planting. *Aus* (summer) rice (planted in March/April and harvested in July/August) production is estimated to rise to 2.7 MMT on increase in planted acreage (1.2 million hectares, up from 1 million hectares).

Aman (monsoon) rice production is forecast marginally higher and is revised to 13.6 MMT on increased planted area as farmers respond to higher market prices for rice.

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

Crop Season	(Estimate)		(Estimate)		(Forecast)	
	Area	Production	Area	Production	Area	Production
	1,000 HA	1,000 MT	1,000 HA	1,000 MT	1,000 HA	1,000 MT
<i>Boro, FY17</i>	4,700	18,700	4,750	18,890	4,472	17,800
<i>Aus, FY18</i>	1,220	2,600	1,098	2,338	1,200	2,700
<i>Aman, FY18</i>	5,845	13,200	5,900	13,350	6,000	13,680
Total Rice	11,765	34,500	11,748	34,578	11,672	34,180

Note: FY 17 (Fiscal Year) – July, 16 -June, 17

Given the normal progression of the 2017 monsoon, announced *Aman* (autumn) initial rice planting was completed on schedule; rice transplanting is progressing well also and will continue through August. For more information on rice growing seasons (*Boro*, *Aman*, and *Aus*), please see GAIN report [BG3004](#) or [BG5003](#).

Post's MY 2017/18 (July/June) wheat production forecast remains unchanged at 1.3 MMT assuming normal weather conditions during the season (planted in November/December and harvested in March/April). In MY 2016/17, production is estimated to be 3% lower at 1.2 MMT on reduced cultivation area as some farmers sought to avoid risk of a recurrence of wheat blast.

Post's projection for maize production in MY 2017-18 (May/April) is unchanged; weather conditions remain favorable in the major areas where maize is planted. (Since maize is not planted in the lowlands, the crop is largely unaffected by the flooding mentioned above.)

Market Prices:

Weak supplies have put pressure on domestic prices of rice in recent months. For June 2017, the retail price for coarse rice in Dhaka and Gazipur was BDT 46 (US\$0.58) per kilogram, which was 56 percent higher year on year (Figure 1). Medium and finer quality rice varieties registered more modest retail price increases, at 20% and 9% respectively. Rice prices have been increasing since August 2016, and the recent *Aman* and *Boro* rice harvest did little to relieve the pressure: prices remain their highest in 8 years.

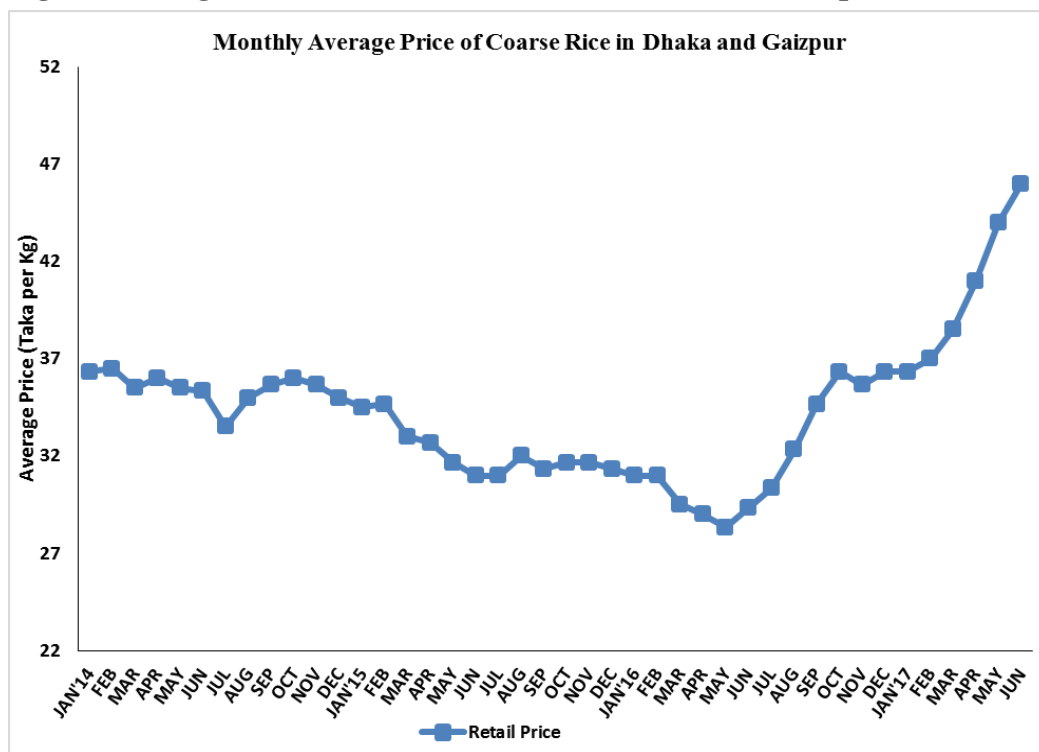
By contrast, in June 2017 average retail price of wheat flour (also called *atta*) in Dhaka was estimated at BDT 24 (US\$0.3) per kilogram, which was unchanged from last year (Figure 2).

Corn retail price was flat over the three-month period ending in June 2017 at a retail price of BDT 23 (US\$0.29); wholesale price was BDT 19 (US\$0.24). But those prices are still higher by 15% and 29%, year on year.

Damage from flooding reduced harvests enough to drive farm gate prices of paddy up 29 to 60% last year. The surge was further fueled by some traders hoarding paddy to drive prices even higher. Despite the higher farm gate prices for paddy, farmers had small net margins after deducting losses caused by the flooding and disease. In the end, it was largely millers and wholesalers who pushed rice prices higher. They claimed supply shortages owing to flooding and blast attack on *Boro* rice pushed prices higher but some admit that in fact many of them slowed purchasing and milling operations to let prices climb. The FY 2016/17 rice at lower price supplied on open markets dropped by nearly 80%; this caused price speculation which was further fueled by the hoarding of traders.

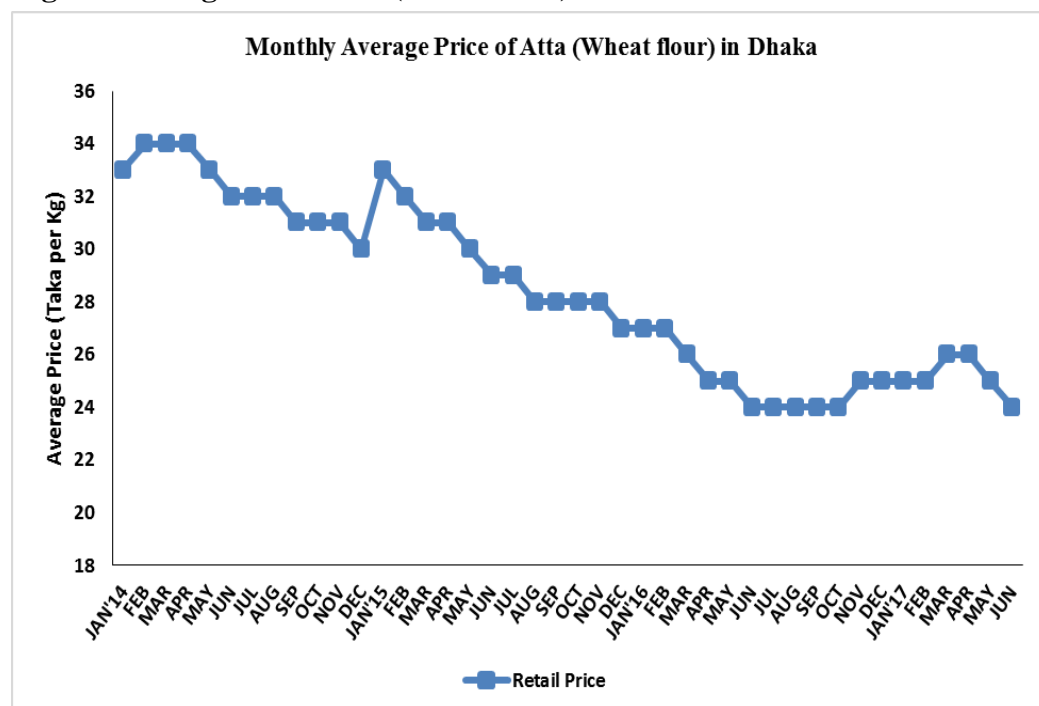
To counter the price spike caused by the hoarding and collusion among the major rice millers, the Trading Corporation of Bangladesh (TCB) launched a campaign called Open Market Sale (OMS). This program aims to control price spikes by selling essential commodities at discounted prices from the back of flatbed trucks. The scale of the program was too small to have a significant impact; the gap between supply and demand was still too large.

Figure 1: Bangladesh- Coarse Rice Prices in Dhaka and Gazipur



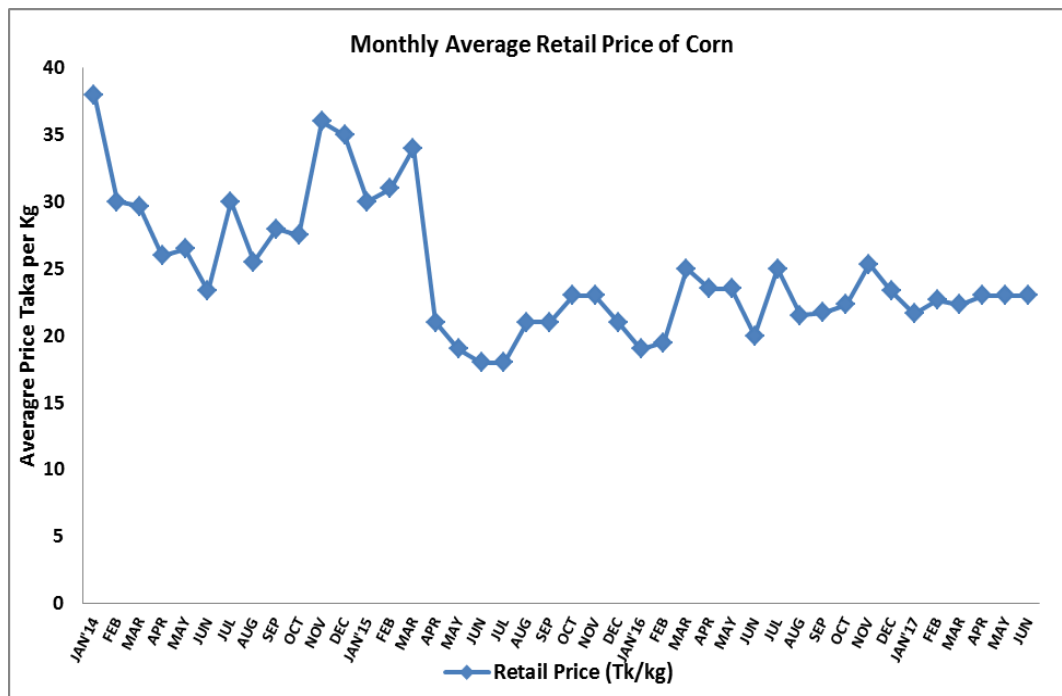
Source: Ministry of Agriculture, Government of Bangladesh

Figure 2: Bangladesh- Atta (wheat flour) Prices in Dhaka



Source: Ministry of Agriculture, Government of Bangladesh

Figure 3: Bangladesh- Corn Prices



Source: Ministry of Agriculture, Government of Bangladesh

Trade:

The MY 2017/18 rice import forecast is raised to 1.2 MMT on expectation of robust consumer demand, expanding food safety net program, lower public stocks, and relaxed trade and financial policy impact. The reduced 15 percent tariff on rice imports (see Policy section below) further encourages imports. MY 2016/17 rice imports are revised up to 0.13 MMT based on the latest customs data.

To resolve the rice shortage, GOB entered the market for the first time in five years. GOB will import 0.6 MMT of rice and will procure 0.2 MMT from domestic sources. In May 2017 GOB renewed a 2011 agreement with the government of Vietnam to import rice for another five years. For immediate needs, GOB will import this July 0.25 MMT of 5 percent broken rice from Vietnam. In May, the Ministry of Food awarded the first tender to import 50,000 MT of parboiled rice at a price of US\$428 per ton. Second and third tenders have also been awarded; a fourth tender is being prepared.

A lower tariff at 10 percent has stimulated imports from India, Myanmar and Thailand. Within one week of reducing the tariff (June 20, 2017) 22,280 MT of rice was imported from India. The domestic price for rice declined by BDT 3 (US\$0.04) per kg. This was less than the expected drop of BDT 6 (US\$0.07) per kg, in part because the increased demand for Indian rice, including from Philippines and Sri Lanka, which have also suffered from flooding, pushed Indian prices up to US\$420 – \$430 per ton from US\$390 - \$400 per ton.

MY 2017/18 wheat import forecast is raised to 6 MMT on expected resilient domestic demand and lower international prices. Based on the current pace of imports, Post's MY 2016/17 wheat import

estimate is unchanged at 5.7 MMT on custom data.

Post's MY 2017/18 corn import forecast is marginally lowered to 0.9 MMT on current stocks being ample to supply growth of the animal feed industry. For MY 2016/17 estimated imports of corn are raised to 1 MMT as feed use grows in the expanding poultry and aqua farm sectors.

Stocks:

As of 30 June 2017, the rice stocks at public granaries were at 0.15 MMT, their lowest level in six years. That is 75% lower than stocks were one year ago. Although GOB public food distributions of grain were just 18% greater in FY 2016/17 (July/June) than during the prior year (for rice alone, the increase was 26%), a new program for sale of subsidized rice at BDT 10 (US\$0.12) per kg quickly constituted 45% of rice distribution and rapidly depleted stocks by year end. By contrast, last FY 2015/16, more rice was supplied through open market sale (OMS) and other programs over the course of the year, which smoothed supply channels and helped to preserve adequate stocks at year end.

On April 16, 2017, the Ministry of Food (MOF) announced a procurement target of 0.8 MMT for *Boro* rice and 0.7 MMT for *Boro* paddy during the period May 02, 2017 to September 31, 2017. The announced per kilo procurement price for *Boro* milled parboiled rice was BDT 34 (US\$0.43); for white rice, BDT 33; and for un-milled paddy, BDT 24.

In FY 2017/18, although GOB raised its rice procurement target to 1.26 MMT, up from 1.06 MMT in FY 2016/17, the budget of FY 2017/18 will increase distributions of subsidized rice by 0.85 MMT rice, which will largely offset the increased procurement and leave stocks dangerously low. One additional solution being considered is to give cash transfers to allow consumers to purchase alternative grains such as wheat at public markets.

As of June 30, 2017 the total of rice procured by GOB was 66,810 MT, which is only 5% of the target (1.26 MMT). Farmers and millers were reluctant to supply to the program because GOB's offered price was lower than the rice market price of BDT 45 to 50 per kg. Despite pressures, millers refused to supply to the procurement program, which forced GOB to increase imports.

As of June 30, 2017 wheat stocks at public granaries were 0.19 MMT, down from 0.35 MMT one year earlier. From April to June, 2017, the GOB procured their target of just under 100,000 MT of wheat at a price of BDT 28 per kilogram.

Table 2: Bangladesh: Stock at public granaries (Thousand MT)

Jun 30, 2017			Jun 30, 2016		
Rice	Wheat	Total	Rice	Wheat	Total
149.60	193.92	343.52	597.71	355.18	952.89

Source: MIS&M, Director General of Food, Ministry of Food

Consumption:

MY 2017/18, rice consumption is expected to remain flat. Wheat consumption in MY 2017/18 is

forecast at 7.3 MMT, up 0.3 MMT from March 2017 estimates on increased consumption as an alternative to rice in flood-affected areas. Corn consumption, mostly by the feed industry, is increasing gradually as aqua culture expands. Post's forecast MY 2017/18 for corn consumption as feed is revised to 3.7 MMT and in MY 2016/17 estimates revised to 3.4 MMT.

Policy:

The Minister of Agriculture presented a bill, the Bangladesh Wheat and Maize Research Institute Bill, to parliament in June 2017. If passed, this bill will establish a research institute with modern facilities and a research farm with the goal of increasing production capacity of wheat and maize.

To encourage private sector rice imports, on June 22, 2017 GOB cut the import tariff from 25 percent to 10 percent and removed the regulatory duty of 3 percent. This is expected to reduce the total tariffs on imported rice from BDT 9 to BDT 3 per kg.

Soaring rice prices induced several reactions from GOB. As mentioned, the government began directly importing rice; source countries include Vietnam, Dubai and Singapore, and possibly Thailand, and India. Also, on April 24, 2017, the central bank ordered all commercial banks to suspend collection of farm loan payments in areas affected by calamities such as the flooding in the haor regions; payments are suspended until the regions recover their agricultural productivity. Furthermore, in June the central bank relaxed banking regulations affecting credit terms for importers. With the new rules letters of credit for importing rice no longer require any bank deposits to be held in escrow during shipment of imported goods. This new rule is in effect till December 31, 2017.

In the FY 2017/18 budget, food grain subsidy is allocated BDT 45.45 billion (US\$ 0.57 billion), which is an increase of 15%. The subsidy for total agricultural sector development for production of food, promotion of exports, and development of electrode uses of jute in the FY 2017/18 budget is BDT 280.45 billion, a three-fold increase over current year budget of BDT 90 billion. The budget for food and social safety net programs has increased seven percent to BDT 127.33 billion (US\$ 1.6 billion).

Interestingly, in January 15, 2017 the Ministry of Energy issued a gazette notification of plans to use maize, broken rice, and molasses to produce ethanol to be mixed with petrol fuel at a 5 percent ratio. The ministry reports that production of the targeted 18 million liters of ethanol per year will require either 60,000 MT of broken rice (3.5% of national rice production) or 62,000 MT of corn (2.8% of national demand) or 97,000 MT of molasses (100% of production). The ministry's decision has been criticized by experts who cite poor timing of such a program given the current tension between demand and supply of grains and the impact increased non-food use will have on food-use prices.

Table 3. Bangladesh: Commodity, Rice, Milled, PSD
(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

<i>Rice, Milled</i>	2015/2016	2016/2017	2017/2018
<i>Market Begin</i>	May 2015	May 2016	May 2017

<i>Year</i>						
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,748	11,765	11,768	11,748	11,715	11,672
Beginning Stocks	1592	1592	1205	1205	853	912
Milled Production	34,500	34,500	34,578	34,578	34,700	34,180
Rough Production	51,755	51,755	51,872	51,872	52,055	51,275
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
MY Imports	217	217	70	133	700	1200
TY Imports	35	35	600	45	400	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	36,309	36,309	35,853	35,916	36,253	36,292
MY Exports	4	4	0	4	0	4
TY Exports	4	4	0	4	0	4
Consumption and Residual	35,100	35,100	35,000	35,000	35,000	35,000
Ending Stocks	1205	1205	853	912	1253	1288
Total Distribution	36,309	36,309	35,853	35,916	36,253	36,292
Yield (Rough)	4.41	4.40	4.41	4.42	4.44	4.393

Table 4. Bangladesh: Commodity, Wheat, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

<i>Wheat</i>	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	420	420	415	405	420	420
Beginning Stocks	1667	1667	2060	2050	2135	2290
Production	1300	1290	1275	1250	1300	1300
MY Imports	4693	4693	6000	5690	6800	6000
TY Imports	4693	4693	6000	5690	6800	6000
TY Imp. from U.S.	87	87	0	200	0	250
Total Supply	7660	7650	9335	8990	10,235	9590
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	5600	5600	7200	6700	7800	7300
Total Consumption	5600	5600	7200	6700	7800	7300
Ending Stocks	2060	2050	2135	2290	2435	2290

Total Distribution	7660	7650	9335	8990	10,235	9590
Yield	3.10	3.07	3.07	3.09	3.10	3.10

Table 5. Bangladesh: Commodity, Corn, PSD

(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

<i>Corn</i>	2015/2016		2016/2017		2017/2018	
<i>Market Begin Year</i>	May 2015		May 2016		May 2017	
<i>Bangladesh</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	378	378	405	405	440	440
Beginning Stocks	40	40	21	21	38	138
Production	2605	2605	2817	2817	3100	3166
MY Imports	776	776	900	1000	1000	900
TY Imports	1042	1042	1000	1100	1100	1100
TY Imp. from U.S.	132	132	0	200	0	250
Total Supply	3421	3421	3738	3838	4138	4204
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	3100	3100	3400	3400	3800	3700
FSI Consumption	300	300	300	300	300	300
Total Consumption	3400	3400	3700	3700	4100	4000
Ending Stocks	21	21	38	138	38	204
Total Distribution	3421	3421	3738	3838	4138	4204
Yield	6.89	6.89	6.96	6.96	7.05	7.20