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Bangladesh

Grain and Feed Update

July 2018

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Report Highlights:
For marketing year (MY) 2018/19 (May to April), Post's forecast for total rice area and production is revised down to 11.6 million hectares and 34.4 million tons on slightly lower *Boro and Aus* rice acreage due to adverse weather conditions. Post's MY 2018/19 (July to June) wheat production forecasts are unchanged at 1.18 MMT assuming normal weather conditions and marginal yield increase compared to last year. Corn production estimates for MY 2018/19 (May to April) are slightly lowered to 3.4 MMT due to reduced cultivation area of summer corn and early flooding in lowland areas as a result of heavy rains.

Post:
Dhaka

Commodities:
Rice, Milled
Wheat
Corn

Rice, Wheat and Corn Production:

For marketing year (MY) 2018/19 (May to April), Post's forecast for total rice area and production levels are revised downward to 11.6 million hectares and 34.4 million tons respectively based on marginal production loss in *Boro* rice (planted in December/January) due to heavy downpours in harvesting season and lower *Aus* rice harvested area due to expected flooding in this current monsoon season.

According to contacts, in MY 2018/19 less than one percent of the *Boro* rice crop was damaged by higher water level due to heavy rainfall in the present harvesting season. Farmers in some locations claimed production losses due to the effects of rice blast. The disease reportedly resulted from temperature extremes, prolonged dew, adverse weather, lower quality seed, and late planting.

At the beginning of monsoon season, post contacts contend that *Aus* rice production is progressing on schedule. The overall MY 2018/19 monsoon rains have been normal thus far and seedling production for planting broadcast *Aman* rice is progressing well under adequate soil moisture conditions. For more information on rice growing seasons (*Boro, Aman, and Aus)*, please see GAIN Report BG3004.

The wheat production forecast for MY 2018/19 remains unchanged.

Corn is one of the most popular cereal crops in the country, while on the other hand, rice is treated as a principal crop that farmers feel compelled to produce whether it is profitable or not. Farmers prefer producing corn, as it is somewhat resistant to adverse weather, and has high market demand. Increasing demand for industrial use and comparatively higher margins than rice and wheat have increased farmers' interest to produce more corn.

Post's MY 2018/19 (May to April) corn area and production forecasts are marginally reduced to 0.44 million hectare and 3.4 million tons. Farmers reduced summer corn (March to July) cultivation area due to lack of availability of highly competitive land, which is alternatively used for comparatively profitable vegetable crop cultivation. Corn production in the country is largely covered by winter corn (Dec to May), accounting for 88 percent of production.

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

	MY 2016/17	**MY 2017/18**	**MY 2018/19**

Rice by Season	(Estimate)		(Estimate)		(Forecast and Estimate)	
	Area	Production	Area	Production	Area	Production
	1,000 HA	1,000 MT	1,000 HA	1,000 MT	1,000 HA	1,000 MT
Boro	4,750	18,890	4,472	17,800	4,752	18,909 (E)
Aus	1,098	2,338	1,100	2,350	1,064	2,280 (F)
Aman	5,900	13,350	5,700	12,500	5,850	13,200 (F)
Total Rice	11,748	34,578	11,272	32,650	11,666	34,389

Note: *Boro season rice harvesting and marketing starts in April-May 2018, so rice harvested in Boro season 2018 is considered as first harvest in Market Year (MY) 2018-19 (May-April). On the other hand, Boro rice harvested in year 2018 is included as last rice harvest of Fiscal Year (FY) 2017-18 (July-June) of Bangladesh.*

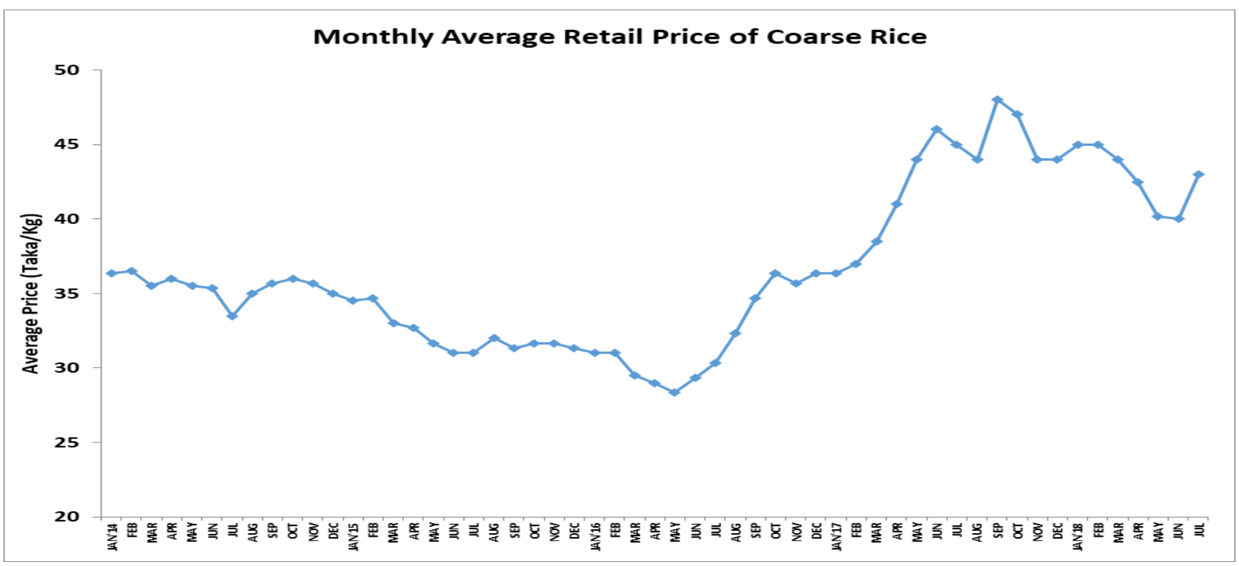
Market Prices:

On July 31, 2018, retail prices for rice were BDT 43 (US$0.52) per kilogram, which were 4.44 percent lower than last year (Figure 1). On the same day, the average retail price of wheat flour (also called *atta*) was estimated at BDT 26 (US$0.31) per kilogram, which is about 8.33 percent more expensive than last year (Figure-2), and 39 percent less than the current rice retail prices.

For MY 2018/19, the June 2018 WASDE currently predicts lower global wheat production and trade supplies, which may lead to higher international wheat prices.

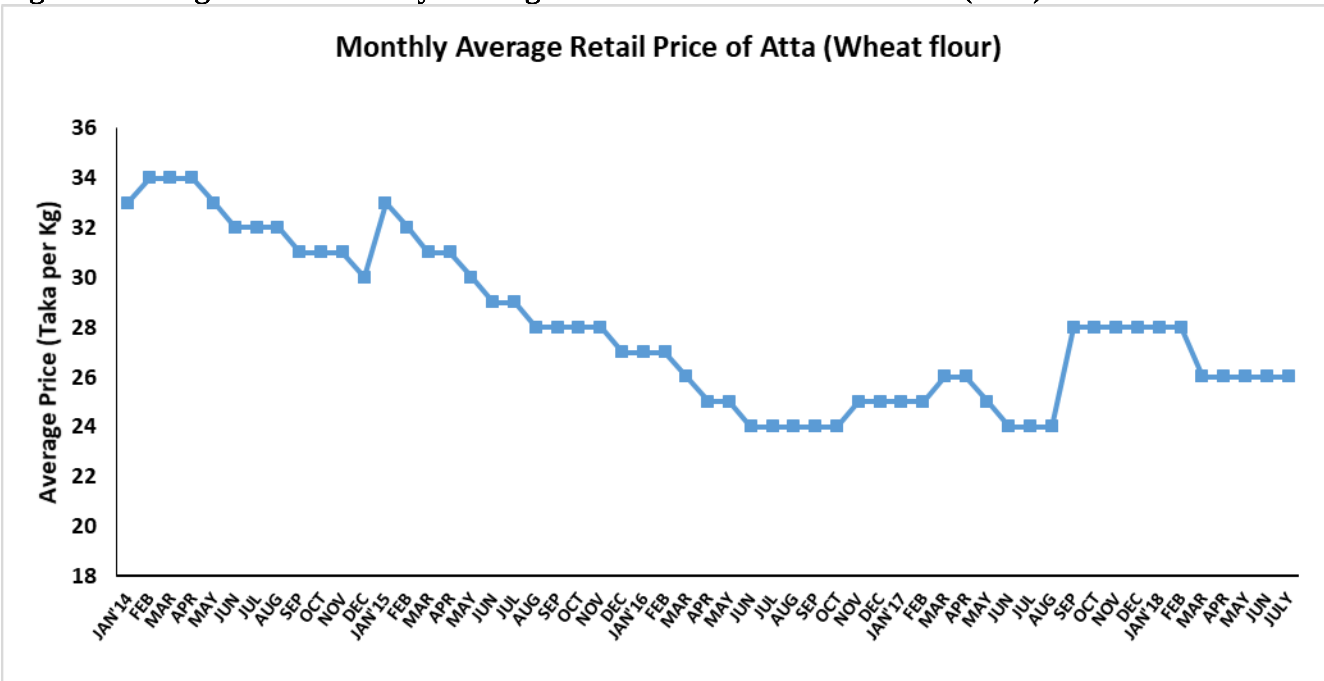
Corn retail market price fell compared to last month due to recent winter corn harvest. In July 2018, the corn retail price was BDT 22.5 (US$0.27) per kilogram, 19 percent higher than last year (Figure-3).

Figure 1. Bangladesh: Monthly Average Retail Prices of Coarse Rice



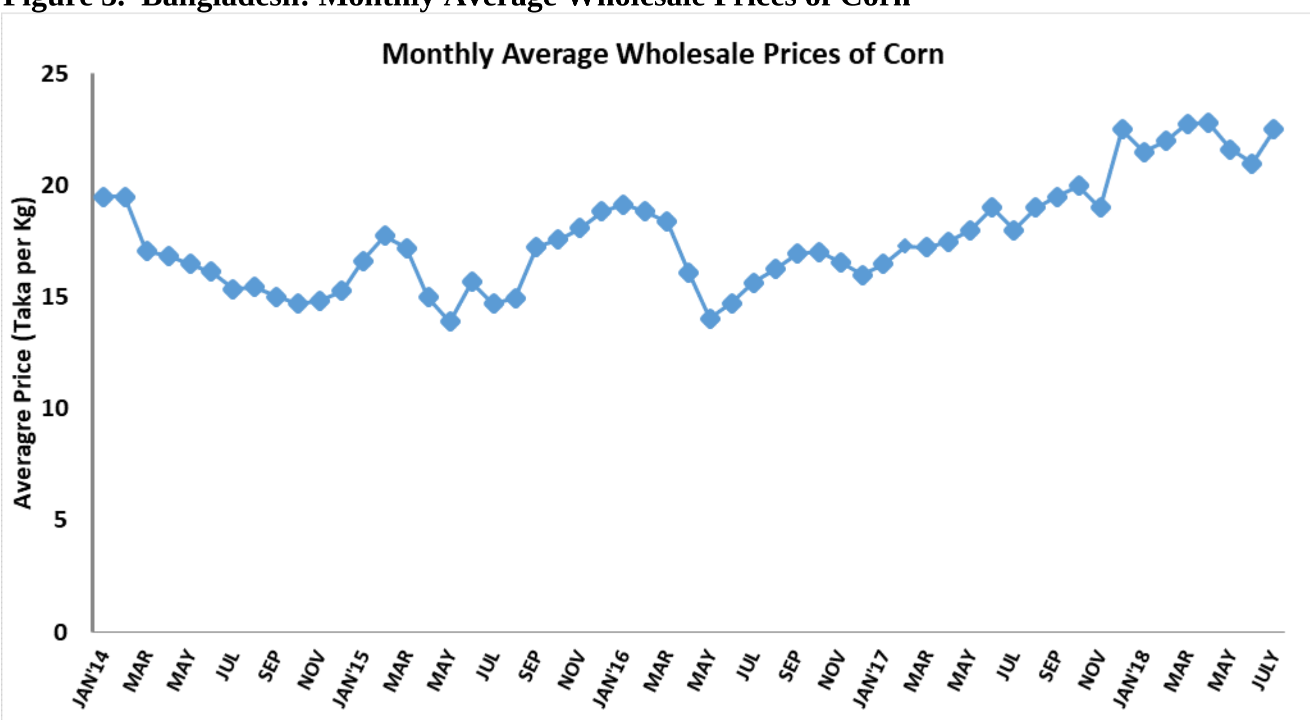
Source: Department of Agricultural Marketing and Trading Corporation of Bangladesh

Figure 2. Bangladesh: Monthly Average Retail Prices of Wheat Flour (Atta)



Source: Department of Agricultural Marketing and Trading Corporation of Bangladesh

Figure 3. Bangladesh: Monthly Average Wholesale Prices of Corn



Source: Department of Agricultural Marketing and Trading Corporation of Bangladesh

Consumption:

MY 2018/19 rice consumption forecasts are revised slightly to 35.6 million tons. The revised consumption amount in MY 2017/18 is 35.2 MMT.

The MY 2018/19 wheat consumption projection is unchanged on expectations of competitive international wheat prices. For MY 2018/19, Post's corn consumption forecast is revised upward to 5.3 million tons based on stronger demand in the feed industry to supply the poultry and aquaculture sectors.

Imports:

In MY 2018/19, the rice import forecast revised down to 0.6 MMT due to higher production of *Boro* season rice and a reinstated 28 percent import tariff since July 2018.

For MY 2018/19, the wheat import forecast remains unchanged at 6.5 tons. For MY 2017/18, Post's wheat import is revised downward to 5.9 million tons based on competitive prices and monthly import pace.

Corn import forecast in MY 2018/19 is raised to 2 million tons on strong industrial consumption demand, and MY 2017/18 import estimate is revised up to 1.6 MMT based on monthly import pace.

Stocks:

On April 08, 2018, the Bangladesh Ministry of Food (MOF) set procurement prices for milled and paddy (unmilled) *Boro* rice at BDT 38 (US$0.45) and BDT 26 (US$0.31) per kilogram and planned to procure 0.15 MMT paddy, 0.8 MMT parboiled rice and 0.1 MMT white (sundried) rice. From May 2, 2018 to July 31, 2018, GOB has procured 0.87 MMT of rice and 10,300 tons of paddy. There is no procurement drive for *Aus* rice.

According to the Ministry of Food (MOF), on July 31, 2018, rice in public stocks are 1.29 MMT, which is 478 percent higher than rice stocks at the same time last year. In 2017, GOB failed to procure rice from millers. They preferred selling to the retail market, as prices were comparatively higher than GOB's rice procurement prices.

In July 31, 2018, wheat stocks at public granaries were 0.22 MMT, up from 0.15 MMT one year earlier. GOB didn't procure wheat from the harvest of MY 2017/18.

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

Jul 31, 2018			**Jul 31, 2017**		
Rice	Wheat	Total	Rice	Wheat	Total
1291.45	269.21	1560.66	223.44	150.5	373.94

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

Policy:

In the budget proposal speech FY 2018/19, GOB reinstated an import tariff of 28 percent (25 percent custom duty and 3 percent regulatory duty) from the prior 2 percent custom duty. In the budget speech FY 2018/19, the finance minister stated that the revised higher import tariff is to protect rice growers in getting reasonable prices when selling newly harvested *Boro* rice (See GAIN Report 1805). Due to bumper *Boro* rice production, the paddy price at the farm gate fell, causing significant financial loss for farmers. Understanding the situation, GOB took quick initiative to protect farmers from lower market prices of paddy. The high rate of import duty may deter imports and increase paddy prices indirectly, but it also may affect the price in the retail market and transfer the burden to consumers.

In FY 2018/19, the budget allocation for the agricultural sector dropped to 2.99 percent from 3.4 percent in FY 2017/18, a decrease of 0.41 percent. For FY 2018/19, GOB allocated BDT 139 billion (US$1.67 billion) for the Ministry of Agriculture. The budget speech also informed that sector's contribution to the country's Gross Domestic Product (GDP) has declined to 14.11 percent in FY 2017/18 from 14.72 per cent in FY 2016/17.

The budget also proposed an allocation of BDT 90 billion (US$1.08 billion) as a subsidy for agriculture sector development. GOB is providing various subsidized supports to farmers, such as supplying farm machinery at 70 percent subsidized price to farmers of lowland area (haor); 50 percent to farmers of other areas; 20 percent rebate in electricity cost for agro-based industries; 4 percent interest rate on agricultural credit for farmers producing pulses, oilseed, spices and corn; 20 percent incentive for agricultural commodity exports, and supplying fertilizers at a lower price than the international market.

Through the budget proposal, GOB reiterated continued and enhanced efficiency of the agricultural subsidy program, introduction of identity cards to farmers that allows them to receive supports such as fertilizer, seeds and other agricultural inputs; mechanization of irrigation and farming; diversification and marketing of crops and agricultural rehabilitation support. GOB has taken steps to increase the number of beneficiaries who receive cash benefits through mobile banking, and increase agricultural input assistance. GOB is also planning to emphasize environmental friendly and climate adaptation programs through innovation of 22 new crop varieties and 21 new agricultural technologies to increase crop intensification and reduce crop life cycles. In addition to the crop sector, the GOB plans to increase fish production to 45.52 MT by 2021 and improve farm household agribusiness status through expansion of rural communication facilities. For agriculture and rural development, the finance minister proposed allocating BDT 598 billion (US$7 billion) which is the highest allocation for any sector in FY 2018/19.

In the FY 2018/19 budget, agricultural trade protection based reform was proposed to protect farmers and agro-based industries. Import tariffs on starches of wheat, corn, potato, and cassava have been rationalized to 15 percent customs duty (CD) and 10 percent regulatory duty (RD) which was only a custom duty in the previous fiscal year.

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

Rice, Milled	2016/2017	2017/2018	2018/2019

Market Begin Year	**May 2016**		**May 2017**		**May 2018**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	11,748	11,748	11,272	11,272	11,770	11,666
Beginning Stocks	1,205	1,205	854	854	1,500	1,862
Milled Production	34,578	34,578	32,650	32,650	34,700	34,389
Rough Production	51,872	51,872	48,980	48,980	52,055	51,589
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	75	75	3,200	3,562	1,000	600
TY Imports	2,348	2,348	1,200	2,200	1,100	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	35,858	35,858	36,704	37,066	37,200	36,851
MY Exports	4	4	4	4	0	4
TY Exports	4	4	4	4	0	4
Consumption and Residual	35,000	35,000	35,200	35,200	35,600	35,600
Ending Stocks	854	854	1,500	1,862	1,600	1,247
Total Distribution	35,858	35,858	36,704	37,066	37,200	36,851
Yield (Rough)	4.42	4.42	4.35	4.35	4.42	4.42

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

Wheat	2016/2017		2017/2018		2018/19	
Market Begin Year	**July 2016**		**July 2017**		**July 2018**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	405	405	350	350	370	370
Beginning Stocks	2077	2077	1883	1883	1698	1387
Production	1250	1250	1115	1115	1185	1185
MY Imports	5556	5556	6400	5889	7000	6500
TY Imports	5556	5556	6400	5889	7000	6500
TY Imp. from U.S.	257	257	0	260	0	260
Total Supply	8883	8883	9398	8887	9883	9072
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	7000	7000	7700	7500	8200	7700
Total Consumption	7000	7000	7700	7500	8200	7700
Ending Stocks	1883	1883	1698	1387	1683	1372
Total Distribution	8883	8883	9398	8887	9883	9072
Yield	3.0864	3.0864	3.1857	3.1857	3.2027	3.2027

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

Corn	2016/2017		2017/2018		2018/19	
Market Begin Year	May 2016		May 2017		May 2018	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	405	405	436	436	450	443
Beginning Stocks	21	21	81	81	255	355
Production	2817	2817	3274	3274	3500	3450
MY Imports	843	843	1500	1600	2000	2000
TY Imports	1176	1176	1500	1600	2000	2000
TY Imp. from U.S.	187	187	0	250	0	300
Total Supply	3681	3681	4855	4955	5755	5805
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	3300	3300	4300	4300	5000	5000
FSI Consumption	300	300	300	300	300	300
Total Consumption	3600	3600	4600	4600	5300	5300
Ending Stocks	81	81	255	355	455	505
Total Distribution	3681	3681	4855	4955	5755	5805
Yield	6.96	6.96	7.51	7.51	7.78	7.79

Table 6. Bangladesh: *Boro* Rice Competes with the Alternative Crops

General Crop Season	Competing Crops	Rice Based Season
Robi (Mid Oct – Mid Mar)	*Boro* rice, potato, wheat, maize, sugarcane, cotton, mustard, lentils, onions, soybeans, groundnut, tobacco, and vegetables	*Boro* Planting: Dec-Feb Harvesting: Apr-May
Kharif-1 (Mid Mar – Mid Jul)	*Aus* rice, broadcast *Aman*, jute, maize, mungbean, ginger, chili, onions, groundnuts and vegetables	*Aus and Broadcast Aman* Planting Apr-May *Aus* Harvesting: Jul-Aug *Aman* Harvesting : Nov

Kharif-2 (Mid Jul – Mid Oct)	*Transplant Aman* rice, cotton, jute, black gram, and soybeans	*Transplant Aman* Planting: Apr-May Harvesting: Nov-Dec

Source: Crop Calendar of Krishi (Agriculture) Diary