

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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: 2/22/2012

GAIN Report Number: BG2001

Bangladesh

Grain and Feed Annual

2012

Approved By:

Thom Wright

Prepared By:

Sayed Sarwer Hussain

Report Highlights:

Assuming normal weather conditions, Bangladesh's food grain production in MY 2012/13 is forecast at 35.4 million tons (34.2 million tons of rice and 1.2 million tons of wheat). Imports of foodgrains are forecast at 3.6 million tons (600,000 tons of rice and 3 million tons of wheat). Export bans and supply uncertainties have led Bangladesh to diversify sources for imported wheat, which meets 75% of its consumption needs.

Commodities:

Rice, Milled

Production:

Assuming a normal monsoon, Bangladesh's rice production for MY 2012/13 (July-June) is forecast at 34.2 million tons. Rice production in MY 2011/12 is estimated at 34 million tons, up by 4 percent from the previous year. MY 2010/11 is set at 33.2 million tons.

Bangladesh harvests three rice crops a year. The first MY 2011/12 rice crop, known locally as "Aus" (planted in March/April and harvested in June/July), is estimated at 2 million tons. The second crop, "Aman" (planted in July/August and harvested in November/December), benefitted from an early monsoon. Despite some flooding, good rainfall nationwide during the Aman growing period and sunny weather during harvest contributed to record production of 13.6 million tons, 7 percent higher than the previous year's crop. The third rice crop, "Boro" (planted in December/January and harvested in April/May), is currently in its vegetative stage. Given favorable weather conditions, Boro rice production is expected to be 18.4 million tons, marginally lower than the previous year's crop due to slightly lower planted area.

Table 1. Bangladesh: Rice Area and Production Estimates

Crop	2010/11 (Estimate)		2011/12 (Estimate)		2012/13 (Forecast)	
	Area (tha)	Production(tmt)	Area (tha)	Production(tmt)	Area (tha)	Production (tmt)
Aus	1,100	2,000	1,100	2,000	1,050	2,000
Aman	5,800	12,700	5,800	13,600	5,850	13,700
Boro	4,900	18,500	4,850	18,400	4,800	18,500
Total Rice	11,800	33,200	11,750	34,000	11,700	34,200

Bangladesh's rice yields range from 1.25 tons per hectare for local varieties (Aus crops) to 4.5 tons for hybrid varieties (Boro crops). Yields are increasing as more farmers adopt hybrid seed varieties, invest in small-scale mechanization, and use fertilizer and agrochemicals more efficiently. Growth in Bangladesh's rice production is largely dependent on the expansion of irrigated acreage for Boro crops, although these practices are causing Bangladesh's water table to drop by 4 to 5 feet annually. The

Government of Bangladesh (GOB) is therefore focusing on the expansion of rain-fed Aman rice and the adoption of productivity enhancing technologies.

Consumption:

Rice consumption (food, seed, and feed use together) in MY 2012/13 is forecast at 35 million tons. MY 2011/12 consumption of rice is estimated at 34.5 million tons, up approximately 1.5 percent from the MY 2010/11 estimate due largely to population growth.

Trade:

Bangladesh's MY 2012/13 rice imports are forecast at 600,000 tons and MY 2011/12 imports are estimated at 550,000 tons, based on the current production forecast and carryover stocks held by the GOB, farmers, and traders. MY 2010/11 imports are set at 1.56 million tons, which is due to strong government procurement and stock building in order to meet Bangladesh's public distribution system's demand.

During MY 2010/11, the GOB imported significant quantities of rice (despite high import prices) in order to build stocks for distribution through Bangladesh's public distribution system. (The GOB imported approximately 83 percent of Bangladesh's 1.56 million tons of imported rice). The purpose of these stocks was to ensure a constant supply of basic food grains as well as to have available stocks to intervene in the event of high local prices. As stocks levels in MY 2011/12 grew over MY 2010/11, imports declined to 550,000 tons (450,000 tons in the public sector and the rest through private imports). Additionally, low domestic prices in 2011/12 ruled out the need for private imports. As of January 2012, Bangladesh imported 497,000 tons, 90 percent of which was imported by the GOB. Strong government engagement has virtually tapered off the private sector opportunity for rice imports in the first half of the current marketing year. However, sources within Bangladesh's Ministry of Food indicate that the GOB will not import additional rice this marketing year unless an emergency situation arises.

Stocks:

In MY 2010/11, the GOB implemented a large public distribution program to stabilize the domestic market. The GOB's public distribution system distributed 1.57 million tons of rice in MY 2010/11, which consisted of 66 percent subsidized open market sales and 33 percent free distribution through the Food for Works (FFW) and Vulnerable Group Feeding (VGF) programs. Given that the GOB faced challenges in procuring domestically grown rice, (the GOB was only able to procure 392,000 tons of rice locally), it relied on imports for building stocks rather than domestic procurement. The GOB's target for rice procurement in MY 2011/12 was one million tons. As of December 31, 2011, GOB's rice stocks were 1.2 million tons (compared to 540,000 tons in the previous year). The MY 2011/12 target for distribution of rice under the Public Food Distribution System (PFDS) is 1.68 million tons (900,000 tons for free distribution to the most food insecure population and 780,000 tons for sale at subsidized prices).

Policy:

There are currently neither import taxes nor quantitative restrictions on rice imports. Since May 2008, Bangladesh has imposed a ban on rice exports. To expedite the international procurement process, the GOB has taken action to streamline the approval process for rice tenders, reducing the time frame from 25-30 days to an estimated 7-10 days. This inter-ministerial decision was taken on February 13, 2011.

Marketing:

Bangladesh typically purchases lower quality (25% or more broken) parboiled rice, although due to tight international supplies, some non-parboiled rice was imported in MY 2010/11. There is a small niche market for high quality (basmati or equivalent) rice imported from India or Pakistan. Due to its geographical proximity, India has been the principal supplier to Bangladesh. However, India's ban on rice exports, (which was lifted in fall 2011), had pushed Bangladeshi importers to seek alternative suppliers in countries such as Myanmar, Vietnam, Thailand, Pakistan, and China. Rice imports from the United States do not appear to be commercially feasible due to relatively high prices, freight costs, and long shipping period.

Production, Supply and Demand Data Statistics:**Table 2. Bangladesh: Commodity, Rice, Milled, PSD**

Rice, Milled Bangladesh	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,800	11,800	12,000	11,750		11,700
Beginning Stocks	640	640	1,400	1,400		1,450
Milled Production	33,200	33,200	34,000	34,000		34,200
Rough Production	49,805	49,805	51,005	51,005		51,305
Milling Rate (.9999)	6,666	6,666	6,666	6,666		6,666
MY Imports	1,560	1,560	550	550		600
TY Imports	1,400	1,483	650	650		600
TY Imp. from U.S.	0	0	0	0		0
Total Supply	35,400	35,400	35,950	35,950		36,250
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	34,000	34,000	34,500	34,500		35,000
Ending Stocks	1,400	1,400	1,450	1,450		1,250
Total Distribution	35,400	35,400	35,950	35,950		36,250
Yield (Rough)	4.	4.2208	4.	4.3409		4.385
TS=TD		0		0		0

Author Defined:

Table 3. Bangladesh: Commodity, Rice, Import Trade Matrix

Import Trade Matrix			
Country	Bangladesh		
Commodity	Rice, Milled		
Time Period	Jan-Dec	Units:	Ton
Imports for:	2010		2011
U.S.	0	U.S.	0
Others		Others	
India	-	Thailand	250,000
Pakistan	160,000	Myanmar	350,000
Vietnam	100,000	Pakistan	160,000
Myanmar	170,000	Vietnam	300,000
China	10000	China	20,000
Thailand	150000	India	100,000
Total for Others	590,000		1,180,000
Others not Listed	70,000		303,000
Grand Total	660,000		1,483,000

Table 4. Bangladesh: Commodity, Rice, Prices

Prices Table			
Country	Bangladesh		
Commodity	Rice, Milled		
Prices in	Taka	per uom	Ton
Year	2010	2011	% Change
Jan	23000	32500	41%
Feb	23000	32400	41%
Mar	22800	31000	36%
Apr	22500	31500	40%
May	22750	30000	32%
Jun	24500	28000	14%
Jul	26000	30800	18%
Aug	25800	31000	20%
Sep	26400	30800	17%
Oct	28000	30800	10%
Nov	28200	28300	0%
Dec	30500	26000	-15%
Exchange Rate	Taka 81	Local Currency/US \$	
Date of Quote	2/7/2011	MM/DD/YYYY	

Commodities:

Wheat

Production:

Given favorable weather conditions, Bangladesh's MY 2011/12 wheat crop (planted in November/December and harvested in March/April) is estimated at 1.1 million tons from 400,000 hectares of land. While wheat area increased in response to higher prices, limited land availability and significant competition from other remunerative crops like rice, corn, potato, and winter vegetables limits the expansion of wheat planting area. The absence of suitable high yielding varieties (HYVs) and strong competition from imports will further limit the growth of wheat production in Bangladesh. However, wheat cultivation remains a preferred option for non-irrigated land with low farm input-use (fertilizer, insecticides, and labor). Growing demand from feed industries has created more opportunities for corn cultivation, which has already surpassed wheat in terms of production. Assuming continuing normal weather conditions, MY 2012/13 wheat production is forecast to reach 1.2 million tons from 420,000 hectares. MY 2010/11 is lowered to 972,000 tons based on GOB data.

Consumption:

Bangladesh wheat consumption for MY 2012/13 is forecast at 4.6 million tons, a 4.5 percent increase from the MY 2011/12 estimate. Wheat distribution under the GOB PFDS has been scaled down in recent years, limiting its consumption in rural areas. However, wheat consumption by the medium to higher income urban population is growing steadily due to changes in food habits prompted by health consciousness and changes in lifestyle. Therefore, wheat millers are seeing greater opportunity to replace coarse wheat flour "*Atta*", (widely sold in loose bulk form), with refined wheat flour packaged and marketed under their brand names. The organized bakery and biscuit industries as well as the emerging hotel, restaurant, and institutional (HRI) sector are also contributing to the consumption of an additional 200,000 tons of higher quality wheat every year.

In December 2011, the average wholesale price of wheat was Taka 22,000 Taka (US \$278) per ton, registering a 15 percent decrease from the price one year ago.

Trade:

Wheat imports for MY 2012/13 are forecast at 3 million tons. This includes 700,000 tons by the public sector and 2.3 million tons through private commercial sales. Due to large carryover stocks, MY 2011/12 wheat imports are estimated at 2.8 million tons, 26 percent lower than the MY 2010/11 estimates. The GOB's wheat import target for MY 2011/12 is 750,000 tons to meet demand for the public food distribution system. As of January 2012, the GOB imported 406,000 tons, or 37 percent of the total wheat imports during the July-January period in MY 2010/11. During the same period, the private sector imported 687,000 tons of wheat, or less than half the quantity imported in the

corresponding period of the previous year. In MY 2010/11, the private sector imported in excess of the domestic demand, leading to large ending stocks and a slower pace in private commercial sales during the first half of the MY 2011/12. However, there are recent indications of private wheat imports gaining momentum, and speculation that they may exceed 2 million tons by the end of the year.

Bangladesh meets 75 percent of its wheat consumption needs through imports. The country traditionally sources lower quality wheat from India, Russia and Ukraine, and higher quality wheat from Canada, Australia and the United States. Recent export bans and tight supplies have led Bangladesh to purchase wheat from the European Union, Argentina, and Brazil and several other countries.

Stocks:

Overall MY 2011/12 wheat beginning stocks grew to 1.907 million tons from 1.239 million tons the previous year. GOB-owned beginning stocks grew to 312,000 tons from 180,000 tons in 2010/11, mainly due to large imports in the previous year. As of December 31, 2011, GOB's wheat stocks were 371,000 tons, 32 percent higher than the previous year. Private sector wheat stocks, however, were over a million tons at the beginning of the MY 2011/12 but diminished by 50 percent by the middle of the year as private sector imports did not keep pace with stock off take.

During the July-January period of MY 2011/12, the GOB distributed 297,000 tons of wheat under the public distribution system, an 82 percent increase over the same period in the previous year. Assuming that GOB's procurement targets are met, MY 2011/12 ending stocks of GOB-owned wheat will reach approximately 400,000 tons after meeting the public distribution system demand.

Policy:

Wheat imports are currently duty free and face no quantitative restrictions. However, the public wheat tendering process does not encourage wide participation. Many government tenders are never finalized as bidders often quote high prices to cover various risk factors. The GOB has recently taken some steps to bring specifications more in line with international practices. These include reducing of the performance guarantee from 10 to 5 percent, increasing the maximum shipment period from 30 to 60 days, and increasing the minimum quantity offered from 25,000 to 30,000 tons. These changes have not increased participation, however, in part because unfavorable provisions remain in the tender specifications such as "weight and quality at final discharge."

Marketing:

Bangladesh is a price sensitive market and typically imports lower cost wheat. While India's geographic proximity offers a clear competitive advantage, India's wheat export ban, (lifted in fall 2011), had compelled importers to seek alternative suppliers, particularly in Eastern Europe and Central Asia. Some higher quality wheat is imported from Canada, Australia, the E.U. and the United States. Bangladeshi buyers are usually willing to pay a premium of around \$10-15 per metric ton for U.S. wheat. However, they are unable to import economically viable volumes to offset the high freight costs.

Production, Supply and Demand Data Statistics:

Table 5. Bangladesh: Commodity, Wheat, PSD

Wheat Bangladesh	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: May 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	374	420	400		420
Beginning Stocks	1,239	1,239	2,239	1,907		1,407
Production	1,200	972	1,200	1,100		1,200
MY Imports	3,900	3,796	2,800	2,800		3,000
TY Imports	3,900	3,796	2,800	2,800		3,000
TY Imp. from U.S.	134	134	0	40		0
Total Supply	6,339	6,007	6,239	5,807		5,607
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	0	0	0	0		0
FSI Consumption	4,100	4,100	4,400	4,400		4,600
Total Consumption	4,100	4,100	4,400	4,400		4,600
Ending Stocks	2,239	1,907	1,839	1,407		1,007
Total Distribution	6,339	6,007	6,239	5,807		5,607
Yield	3.	2.5989	3.	2.75		2.8571
TS=TD		0		0		0

Author Defined:

Table 6. Bangladesh: Commodity, Wheat, Import Trade Matrix

Import Trade Matrix			
Country	Bangladesh		
Commodity	Wheat		
Time Period	Jul/Jun	Units:	Ton
Imports for:	2010		2011

U.S.	135,000	U.S.	50,000
Others		Others	
Canada	1,000,000	Canada	400,000
Australia	1,200,000	Australia	500,000
Russia	-	Turkey	150,000
Ukraine	350,000	Russia	750,000
EU	550,000	Ukraine	250,000
Argentina	150,000	India	500,000
Brazil	150,000		
Total for Others	3,400,000		2,550,000
Others not Listed	261,000		200,000
Grand Total	3,796,000		2,800,000

Table 7. Bangladesh: Commodity, Wheat, Prices

Prices Table			
Country	Bangladesh		
Commodity	Wheat		
Prices in	Taka	per uom	Ton
Year	2010	2011	% Change
Jan	19500	27000	38%
Feb	18830	26000	38%

Mar	18500	24900	35%
Apr	18400	23000	25%
May	18800	21000	12%
Jun	18400	18500	1%
Jul	18300	18000	-2%
Aug	18400	17000	-8%
Sep	22000	19000	-14%
Oct	23800	21500	-10%
Nov	23500	22000	-6%
Dec	26000	22000	-15%
Exchange Rate	Taka 81	Local Currency/US \$	
Date of Quote	2/7/2012	MM/DD/YYYY	