USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 8/5/2016

GAIN Report Number: BG6008

Bangladesh

Grain and Feed Update

July 2016

Approved By:
Scott Sindelar

Prepared By:
Tanvir Hossain and Santosh K. Singh

Report Highlights:

Post's marketing year (MY) 2016/17 (May/April) rice production is forecast marginally lower at 34.51 million metric tons (MMT) on estimated lower planting (11.7 million hectares). Based on the latest customs data, MY 2015/16 rice imports are lowered to 0.22 MMT. MY 2016/17 rice imports are also revised lower to 0.15 MMT on sufficient domestic supplies and uncompetitive imports due to the government decision to raise import duty to 25 percent. Post's MY 2016/17 (July/June) wheat import forecast is raised to 4.4 million tons on expectation of strong domestic demand and expected low international prices.

Post:
Dhaka

Commodities:
Rice, Milled
Wheat

Author Defined:

For MY 2016/17 (May/April), Post's rice production forecast is revised marginally lower to 34.51 MMT from 11.7 million hectares on reduced planting of *Aus* (summer) rice and increased *Boro* (winter) rice production. *Aus* (summer) rice (planted in March/April and harvested in July/August) production is estimated lower at 2.4 MMT due to decreased acreage (1.1 million hectare) against the initial expectation (1.2 million hectares) due to insufficient irrigation water at seedling and planting time and area shift to other competing crops. Field sources report that many farmers switched their land from *Aus* rice to jute, maize and vegetable cultivation due to higher returns. The Government of Bangladesh's (GOB) notification for mandatory use of bulk burlap bags for five agricultural commodities is driving demand for jute and farmers have responded by increasing jute cultivation, which they expect will be more profitable than *Aus* rice. However, *Boro* (winter) rice production (planted in December/January and harvested in May/Jun) is forecast marginally higher and is revised up to 18.8 MMT (planted in December/January and harvested in May/Jun) based on preliminary official data of Ministry of Agriculture (MOA).

Given the normal progression of the 2016 monsoon, broadcasted *Aman (autumn)* rice planting was completed on schedule, and transplanted *Aman (late autumn)* rice seedling production and transplanting currently progressing well and will continue till August. For more information on rice growing seasons (*Boro, Aman, and Aus)*, please see GAIN Report BG3004 or BG5003.

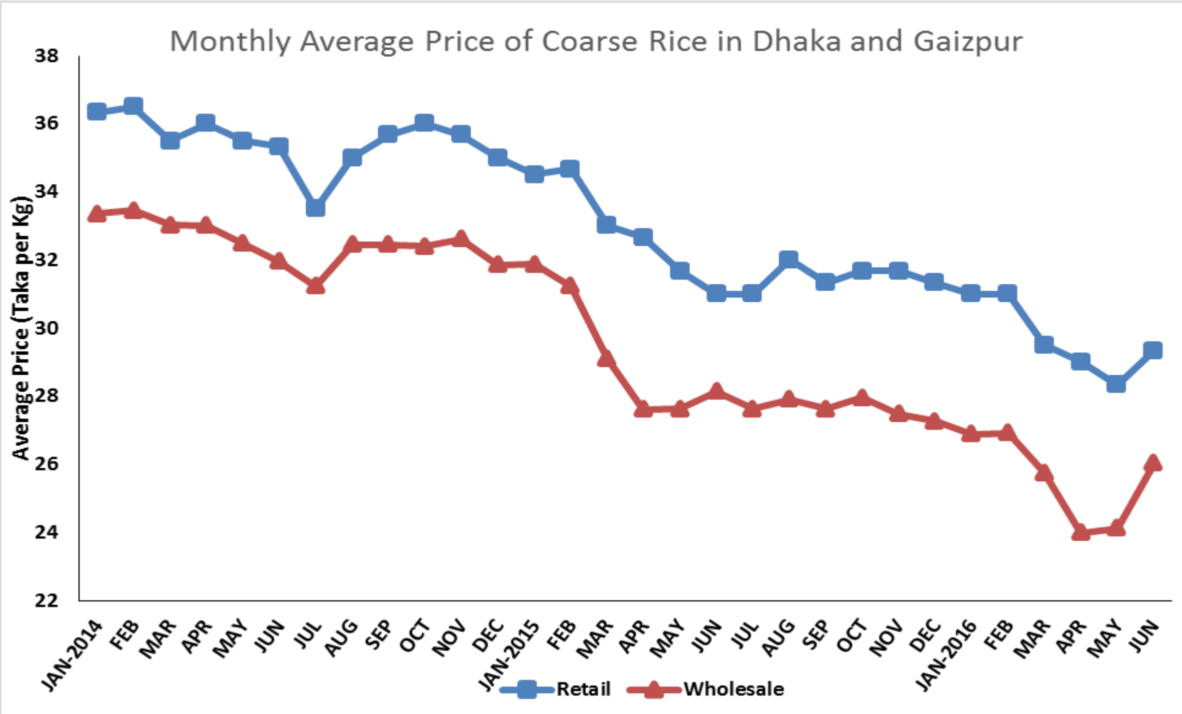
On April 24, 2016, the Ministry of Food (MOF) announced the procurement price for *Boro* milled and paddy (unmilled) at BDT 32 ($0.41) and BDT 23 ($0.29) per kilogram, which is procured during the period May 05, 2016 to August 31, 2016 with the target of 0.6 MMT for *Boro* rice and 0.7 MMT for *Boro* paddy.

Post's MY 2016/17 (July/June) wheat production forecast remains unchanged at 1.33 MMT assuming normal weather conditions during the planting and crop season (planted in November/December and harvested in March/April). During April to June 2016, the GOB domestically procured 0.2 MMT of MY 2015/16 wheat at the procurement price of BDT 28 ($0.35) per kilogram.

Rice and Wheat Market Prices

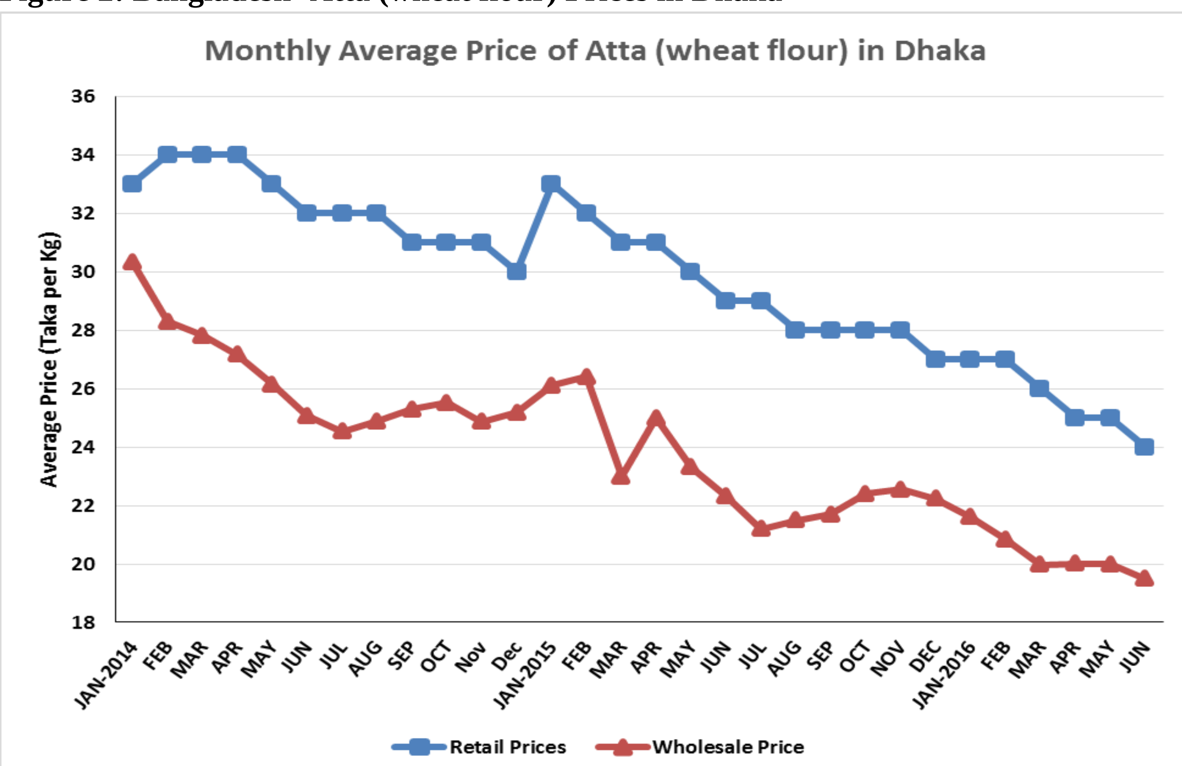
Sufficient supplies have resulted in weak domestic prices of wheat and rice in the recent months. For July 2016, the wholesale and retail prices for rice in Dhaka and Gazipur were BDT 26.3 ($0.33) and BDT 29.3 ($0.37) per kilogram, respectively, which were 7.5 percent and 5.4 percent less than same month last year (Figure 1). However, June rice prices improved as rice millers narrowed rice supply to the market and held back stocks for supplying rice to GOB *Boro* rice procurement program to avail higher price. For the same month, the average retail price of wheat flour (also called *atta*) in Dhaka was estimated at BDT 24 ($0.3) per kilogram, which was about 17 percent below last year (Figure 2), and 18 percent below current rice retail prices (Figure 1).

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

Rice and Wheat Imports

The MY 2016/17 rice import forecast is lowered to 0.15 MMT on expectation of strong import protection policy impact. The added 25 percent tariff on rice imports (see Policy section below) further affected import prospects. MY 2015/16 rice imports are revised marginally lower to 0.22 MMT based on the latest customs data. MY 2016/17 wheat import forecast is raised to 4.4 MMT on expected strong domestic demand and lower international prices. Based on the current pace of imports, Post's MY 2015/16 wheat import estimate is revised up to 4.2 MMT on competitive prices.

Rice and Wheat Stocks

According to the MOF, the government rice stocks on July 21, 2016 came down to 556,580 tons compared to 1.1 MMT same time last year. However, the government wheat stocks rose to 318,290 tons during the same period.

Policy

On June 2, 2016, the GOB increased tariffs from 10 to 25 percent and removed 10 percent regulatory duty on rice imports in place since December, 2015. In addition, the GOB also imposed a 15-percent value added tax (VAT), an advance income tax (AIT) of five percent, and an additional advanced trade VAT (ATV) of four percent. The tariff was raised and other taxes are added to stop cheaper Indian rice imports that generally constitute the largest share of the import market.

In the MY 2016/17, GOB set a target of procuring 0.7 MMT and 0.6 MMT of paddy (unmilled) and milled *Boro* rice in period May – August, 2016. In fiscal year (FY) 2015/16 (July to June), according to the MOF, Bangladesh procured 1.06 MMT and 199,989 metric tons (MT) of *Boro* and *Aman* milled rice from domestic market.

For the first time GOB procured *Boro* paddy directly at BDT 23 ($0.29) per kilogram from officially selected farmers who have a farmer identification card and a bank account. GOB procurement of *Boro* paddy from farmers was about four percent of rice production in the *Boro* season, which indicates a larger share of farmers did not participate in the GOB's price support program. These farmers mostly sold their harvested paddy (unmilled rice) to agents and millers in open markets at lower prices BDT 11.25 – 13.75 ($0.14-0.17) per kilogram before starting the procurement program.

In the budget FY 2016-17, GOB withdrew the VAT for imported wheat and rice milling equipment and parts. In the budget, the GOB raised custom duty of wheat starch from 10 to 15 percent. For FY 2016/17, Bangladesh extended the export ban on non-fragrant rice. The GOB may allow aromatic/fragrant rice exports, pending permission from the Ministry of Commerce.

Table 1. Bangladesh: Commodity, Rice, Milled, PSD (Area in Thousand Hectares and Quantity in Thousand MT)						
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	11790	11790	11765	11765	11800	11690
Beginning Stocks	966	966	1592	1465	1138	685
Milled Production	34500	34500	34500	34500	34550	34515
Rough Production	51755	51755	51755	51755	51830	51778
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
MY Imports	1251	1224	250	220	250	150
TY Imports	595	600	250	220	250	150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	36717	36690	36342	36185	35938	35350
MY Exports	25	25	4	0	0	0
TY Exports	25	25	4	0	0	0
Consumption and Residual	35100	35200	35200	35500	35200	35200
Ending Stocks	1592	1465	1138	685	738	150
Total Distribution	36717	36690	36342	36185	35938	35350

Table 2. Bangladesh: Commodity, Wheat, PSD (Area in Thousand Hectares and Quantity in Thousand MT)						
Wheat	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**Jul 2014**		**Jul 2015**		**Jul 2016**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	415	415	420	420	425	425
Beginning Stocks	1338	1338	1753	1751	2153	1951
Production	1300	1300	1300	1300	1335	1335
MY Imports	3915	3913	4600	4200	4700	4400
TY Imports	3915	3913	4600	4200	4700	4400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6553	6551	7653	7251	8188	7686
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	4800	4800	5500	5300	6200	5900
Total Consumption	4800	4800	5500	5300	6200	5900

Ending Stocks	1753	1751	2153	1951	1988	1786
Total Distribution	6553	6551	7653	7251	8188	7686