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Report Name: Grain and Feed Update

Country: Bangladesh

Post: Dhaka

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Report Highlights:

For rice marketing year (MY) 2020/21 (May-April), Post's production forecast is lowered to 34.8 million metric tons (MMT), a 2.93 percent decrease over 2019/20 production, due to Aus and Aman rice production loss because of flooding and heavy downpour during June and July 2020. For wheat MY 2020/21 (July-June), Post has slightly decreased forecasted production and harvest area based on conversations with Bangladesh's agricultural extension officers and farmers in northern Bangladesh. Forecasted wheat imports are unchanged. In corn MY 2020/21 (May-April), domestic production forecasts are slightly revised up to 4.6 MMT based on official summer harvesting updates from Bangladesh's Ministry of Agriculture.

Executive Summary

Following the outbreak of COVID-19 and nationwide lockdown measures in March 2020, the Government of Bangladesh (GoB) significantly expanded its rice distribution programs to meet the needs of its COVID-19 relief and social safety net programs as well as to stabilize market prices during this period. The GoB announced, in April 2020, that through an Open Market Sale, the GoB would offer subsidized rice for those living under the poverty line at a rate of Bangladeshi Taka (BDT) 10 ($0.12 USD) per kilogram (kg), or approximately one third of market prices. In July, the GoB said it would expand its Vulnerable Group Feeding program to provide 10 kg of free rice to over 10 million vulnerable people—the largest ever single allocation of aid under the assistance program. According to FAS contacts, the GoB also allocated 500,000 MT of rice in the first phase of its emergency COVID relief program, all of which came from government held stocks.

In addition to increased GoB rice purchase, household consumers also increased their personal rice stocks during the pandemic. USDA-Dhaka contacts said the growth in household rice demand more than offset the drop in rice consumed in the restaurant sector. The price of milled rice topped BDT 40 per kg in March 2020 as a result of the increased demand, a 25 percent increase from January 2020 prices of BDT 32 per kg (see figure 1 below).

Severe flooding in June and July 2020 submerged farmland and led to as much as 15 percent crop loss in some lowland areas, farmers in the northeastern sub-districts of Bhairab, Habiganj, and Moulvibazaar told FAS Dhaka in January 2021. The reduced supply caused rice prices to increase further in the second half of the 2020 calendar year. With increased demand and relatively tight supply, farm gate prices for rice exceeded the GoB's procurement price during the latter half of 2020. Farmers told FAS Dhaka they consequently chose to sell their crop on the local market rather than to GoB public stocks, which had led to the GoB opening international tenders to purchase rice from the global market. Bangladesh's next rice harvest, which will begin in April, will likely bring retail rice prices down and limit rice imports.

For MY2020/21, Post's forecast for harvested area of rice (Boro, Aus and Aman season) is revised down from the previous USDA official forecast to 11.6 million hectares (28.65 million acres). The MY2020/21 rice production forecast is also revised down to 34.8 MMT. The rice import forecast is raised to 600,000 MT although Post notes there is a certain level of uncertainty in how much rice will be imported before April 2021 because of rising global prices.

For MY2020/21, Post's forecast for harvested area of wheat, as well as production, is revised down to 0.335 million hectares (0.87 million acres) and 1.22 MMT from the official USDA figure. The wheat import forecast is 6.6 MMT.

For MY2020/21, Post's forecast for harvested area of corn remains unchanged at 0.54 million hectares (1.33 million acres). The MY2020/21 corn production estimate has been revised up from USDA's official forecast to 4.6 MMT based on conversations with local farmers and Bangladesh's agricultural extension offices. The corn import forecast in MY 2020/21 is raised to 1.8 MMT, a six percent increase over USDA's previous official forecast, based on domestic demand for corn and improving domestic yields.

Commodities:
Rice, Milled
Wheat
Corn

RICE, MILLED

Production:

For rice marketing year (MY) 2020/21 (May to April), rice harvest area and production is estimated lower by 0.85 percent (11.6 million hectares) and 1.42 percent (34.8 million tons (milled)) based on damage caused by 2020 summer floods, as reported by local contacts.

Aman season rice production estimates (July/August - November/December) is currently estimated to decrease to 12.8 million tons (milled) but Post notes this figure will likely change in the coming weeks as the GoB releases more data. Aus season rice (March/April - June/July) harvested in summer 2020 is unchanged from Post earlier reported figure at 2.7 million tons (milled). The two production figures take into account the reported increase in yields in areas utilizing high yielding varieties (HYV).

Boro rice cultivation for MY 2021-22 (last rice season in Bangladesh's fiscal year 2020-21) has begun. Land preparation, seedling planting, and transplanting of seedlings from seedbeds to rice fields are proceeding, though slightly delayed from previous years. Farmers are currently enjoying favorable prices for the latest Aman rice harvest (November/December, 2020), therefore it is likely farmers will increase Boro rice production relatively to this past season. Post will be able to provide a more accurate Boro rice area and production figures in the upcoming Grain and Feed Annual, 2021.

Bangladesh is experiencing moderately cold weather during this current winter season. During visits to farms in January, 2021, farmers reported favorable weather conditions (e.g., a pleasant cold wave followed by mild warm temperatures) which have helped the rice seedlings' growth. Farmers in some northern districts (i.e., Sylhet, Moulvibazar) stated the lack of efficient irrigation systems was a major challenge and could hamper production during this (dry) Boro rice season.

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

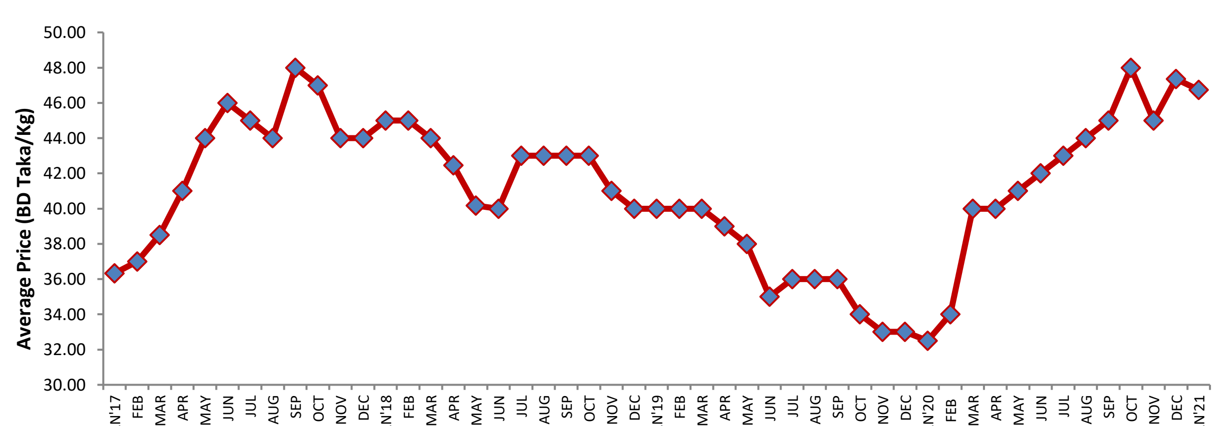
Rice by Season	2018/19 (Estimate)		2019/20 (Estimate)		2020/21 (Forecast)	
	Area 1,000 HA	Production 1,000 MT	Area 1,000 HA	Production 1,000 MT	Area 1,000 HA	Production 1,000 MT
Boro (Winter)	4,752	18,909	4,850	19,400	4,700	19,300
Aus (Pre Monsoon)	1,145	2,500	1,100	2,450	1,200	2,700
Aman (Monsoon)	5,873	13,500	5,880	14,000	5,700	12,800
Total Rice	11,770	34,909	11,830	35,850	11,600	34,800

Note: *Boro season rice (Boro rice) is planted in 2019 and harvested and marketed in April-May, 2020. Boro rice is therefore the first rice crop in the Market Year (MY) 2020-21 (May-April).*

Market Prices:

For January 2021, the retail prices for low quality (coarse) rice were BDT 46.7 ($0.54) per kilogram, which was 43 percent higher than prices at the same time last year (See figure 1). Limited supply because of a relatively low harvests during the Aus and Aman rice seasons is the key factor pushing prices up. The price increase trend has been observed from March 2020 when the country started to go into lockdown to manage the COVID-19 pandemic. The high quality (fine) rice price in January 2021 was BDT 55-64 ($0.65-0.75) per kg.

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



Note: Exchange Rate, US$ 1 = BDT 85 (January, 2021)

Source: Department of Agricultural Marketing and Trading Corporation of Bangladesh

Import:

Post's MY 2020/21 (May-April) rice import forecast is 600,000 MT, which is 14 percent lower than the previous USDA official forecast. To replenish publicly held rice stocks and reduce domestic rice prices, the GoB began announcing tenders to procure rice from international markets in November 2020. In December, the GoB also said it would issue import permits to private rice importers and lower import duties to only 25 percent from the existing 62.5 precent. As of January, the GoB had issued import permits to approximately 320 private rice importers for a total volume of over 1 million metric tons (MMT). Traders, however, told USDA-Dhaka the profit margin for imported rice was minimal because of rising global prices.

Table 2: Bangladesh: Imported rice prices from India are getting closer to locally produced prices

Dates	5% Parboiled Rice	Retail Price	5% White Rice	Retail Price
	US$/MT	Tk/kg	US$/MT	Tk/kg
1-Dec-20	368	33.9	360	33.2
31-Dec-20	375	34.5	380	34.92
14-Jan-21	390	35.77	400	36.62
31-Jan-21	394	36.11	402	36.79

Source: Ministry of Food, Bangladesh

Media reported December 24 Bangladesh was finalizing a purchase of 150,000 tons of rice from India, the first government-to-government rice deal in three years, in addition to international tenders to buy 300,000 MT of rice. As of January 6, total rice reserves stood at 532,000 MT, just over half December 2019 reserve levels. Farmers told FAS Dhaka they had not noticed a reduction in price as a result of GoB rice imports yet. A Ministry of Food official announced January 24 it would buy an additional 100,000 MT of rice in a further attempt bring down the prices of rice.

As it pursues rice imports from abroad, the GoB must carefully balance offsetting high rice prices and meeting food security thresholds on the one hand, and preventing a glut of cheaper, imported rice from hurting local farmers on the other. In 2017, severe floods damaged nearly 10 percent of the Boro season crop (January-April) causing prices to greatly increase over the summer. In response to the high prices, the GoB in 2017 moved quickly to import over 3.8 million metric tons (MMT) of rice from abroad, or over 15 percent of domestic consumption demand, forcing the price of rice to be below the cost of production. The GoB will likely import with greater caution this year as a result of lessons learned in 2017.

2021 Rice Import Conditions for the Private Sector as Reported by Local Contacts

1. Importers must open a letter of credit (LC) within 7 days of getting import approval and must inform the Ministry of Food of intent to import
2. Importers approved to import 1000-5000 MT rice must import 50 percent of rice within 10 days of opening the LC and must complete the total import within 20 days
3. Importers approved to import 5001-10,000 MT rice must import 50 percent of rice within 15 days of opening the LC and must complete the total import within maximum 30 days

Stocks:

According to the Ministry of Food, on February 1, 2021, government-held rice stocks were 0.55 MMT, compared to 1.2 MMT in 2020, or 57 percent lower than this same time last year.

Post's rice stock forecast for MY 2020/21 is 1.2 MMT, 28 percent lower than MY 2019/20 because of lower Aus and Aman rice production, government distribution programs, and the possibility of minimal imports within this next three months (from February to April, 2021). Per the Ministry of Food's report, un-milled and milled rice stock in the private sector (rice miller, importers, wholesale and retailers) up to December 2020 were 0.516 MMT and 0.727 MMT respectively. [**Note:** No regular official data is available on private stocks, which include stocks held by farmers, millers, and traders. **End note.**]

Table 3. Bangladesh: Stock at public granaries (Thousand MT)

January 31 2021			January 31, 2020		
Rice (000 MT)	Wheat (000 MT)	Total (000 MT)	Rice (000 MT)	Wheat (000 MT)	Total (000 MT)
547.87	153.24	701.11	1285.02	332.97	1617.99

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

Bangladesh's Ministry of Food recently procured rice through its annual rice procurement program and as of January 31, 2021, the GoB procured a total of 54,599 MT of *Aman* rice, including 7,187 MT of un-milled rice, 47,536 MT of parboiled rice, and 2,286 of sun-dried white rice. Last year's Aman rice procurement program, in which 0.797 MMT of *Aman* rice was purchased, was nearly 15 times larger than this year's procurement. The GoB's difficulty in meeting its procurement target is likely the result of high domestic market prices. Farm gate prices for rice as of January were BDT 1,100-1,200 per 40 kg, which is double MY 2019-2020 levels of BDT 500-600 per 40 kg and above the government procurement price of BDT 1,040 per 40kg.

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

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Begin Year	**May 2018**		**May 2019**		**May 2020**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	11,770	11,770	11,830	11,830	11,700	11,600
Beginning Stocks	1,500	1,500	1,405	1,405	1,771	1,762
Milled Production	34,909	34,909	35,850	35,850	35,300	34,800
Rough Production	52,369	52,369	53,780	53,780	52,955	52,205
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	400	400	20	11	700	600
TY Imports	80	80	80	4	1,000	1,100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	36,809	36,809	37,275	37,266	37,771	37,162
MY Exports	4	4	4	4	4	4
TY Exports	4	4	4	4	4	4
Consumption and Residual	35,400	35,400	35,500	35,500	35,900	35,900
Ending Stocks	1,405	1,405	1,771	1,762	1,867	1,258
Total Distribution	36,809	36,809	37,275	37,266	37,771	37,162
Yield (Rough)	4.45	4.45	4.55	4.55	4.53	4.50

Note: Market Year (MY) – May to April and Trade Year (TY) – January to December

WHEAT

Production:

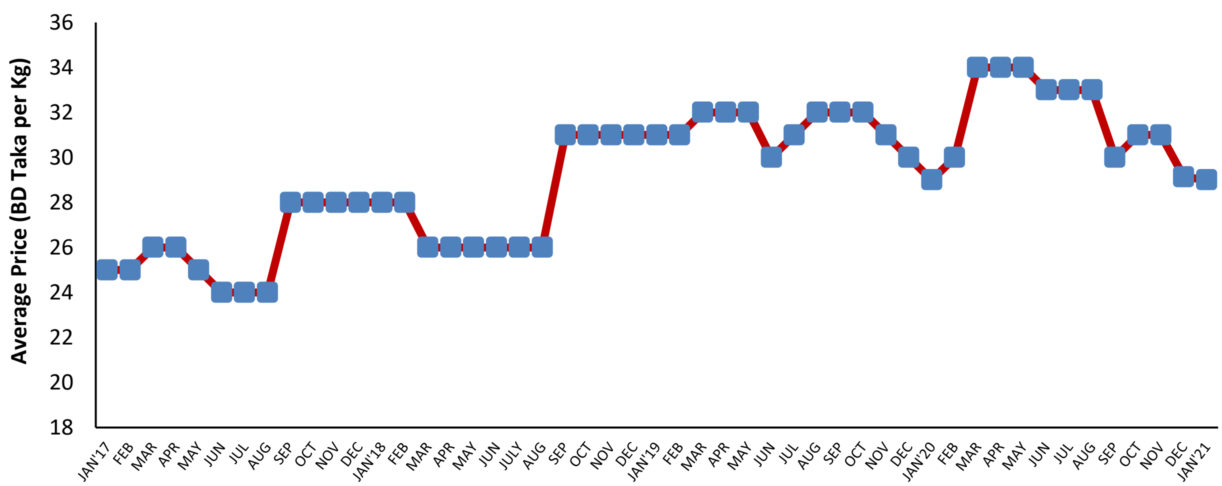
For MY 2020/21 (July to June), the wheat production forecast is revised slightly up to 1.22 MMT, relative to MY2019/20, due to increased yield as a result of improving farmer techniques and use of high yielding wheat varieties. Post's forecast for wheat cultivation area has been lowered by 1.47 percent to 335,000 hectares from last year due farmers interest in planting *Boro* rice this year. The current progress of wheat production, as reported by local farmers, has been good this year, assuming weather will continue to cooperate.

A handful of farmers across the four northern sub-districts reported dealing with pests such as fall armyworm in 2020, but most farmers told FAS Dhaka they were able to adequately manage pests, disease, and insect invasions with the assistance of Bangladesh's agriculture extension offices and reported no major concerns this year.

Prices:

For January 2021, the retail price of wheat flour (also called *atta*) was estimated at BDT 29 (US$0.34) per kilogram, which is equal to the same month last year (Figure 2).

Figure 2. Bangladesh: Monthly average retail prices of coarse wheat flour (Atta)



Note: Exchange Rate, US$1 = BDT85 (Jan 2021)

Source: Trading Corporation of Bangladesh

Imports:

For MY 2020/21 (July-June), Post's wheat import forecast is unchanged at 6.6 MMT. According to official statistics, from July 2020 to January 2021, imports were 2.99 million tons, 30 percent lower than the 4.2 MMT imported in same period of MY2019/20 year. A sluggish import is observed due to highly volatile world wheat price, increased freight cost, and slower demand in processed food industry and lockdown measures in exporting countries, and demand uncertainty due to COVID-19 situation. Post Dhaka forecasts wheat imports to increase in the first half of 2021 to meet domestic demand of 6.6 MMT.

Stocks:

As of February 1, 2021, according to the Ministry of Food, GoB's wheat stocks were estimated at 153,240 tons, which is 54 percent lower than the same period last year. To increase stocks, the GoB opened four international tenders in December 2020 to procure 0.2 MMT. In addition to that, the GoB is reportedly in the process of importing an additional 0.2 MMT of wheat from Russia.

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

Wheat	**2018/2019**		**2019/2020**		**2020/2021**	
Market Begin Year	**July 2018**		**July 2019**		**July 2020**	
Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	320	320	340	340	350	335
Beginning Stocks	2233	2233	1258	1258	1858	1492
Production	1100	1100	1200	1200	1250	1220
MY Imports	5100	5100	6800	6434	6600	6600
TY Imports	5100	5100	6800	6434	6600	6600
TY Imp. from U.S.	386	386	450	450	0	0
Total Supply	8433	8433	9258	8892	9708	9312
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	275	275	300	300	300	350
FSI Consumption	6900	6900	7100	7100	7200	7200
Total Consumption	7175	7175	7400	7400	7500	7550
Ending Stocks	1258	1258	1858	1492	2208	1762
Total Distribution	8433	8433	9258	8892	9708	9312
Yield	3.4375	3.4375	3.5294	3.5294	3.5714	3.6418

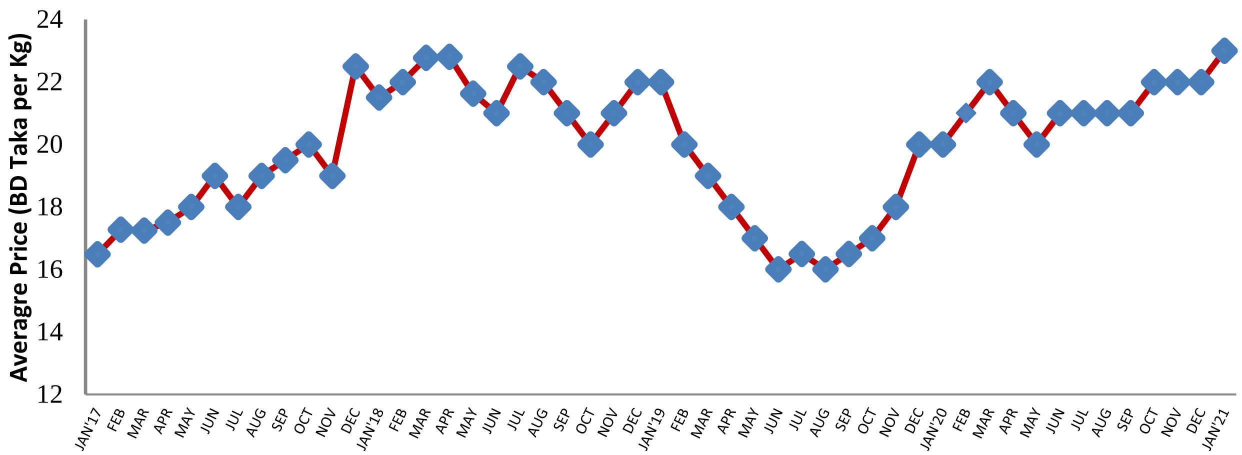
Note: Market Year (MY) and Trade Year (TY) – July to June
Note #2: According to the GoB's Export Policy 2015-2018, wheat is prohibited from export.

CORN

Production:
Post's MY 2020/21 (May-April) corn production forecast is revised up to 4.6 MMT, 4.55 percent higher than the previous USDA official figure and 12.2 percent higher than last MY 2019/20's production figure. The increase is the result of improving farmer yields, an expansion in cultivation area utilizing hybrid varieties, and favorable weather for corn production this winter season. According to Post's discussions with the local agricultural extension offices, farmers are increasing corn cultivation to meet the growing demand for corn from Bangladesh's feed industry and farmers report corn as the best alternative to rice during the dry winter season.

Market Prices:
As of January 2021, wholesale price of corn is BDT 23 ($0.27) per kilogram, which is 15 percent higher than the same time last year (Figure 3). As there has been no local corn harvest recently, imported corn is taking the lead in supplying the domestic market with a comparatively higher price.

Figure 3. Bangladesh: Monthly average wholesale prices of corn



Note: Exchange Rate, US$ 1 = BDT 85 (Jan, 2021)

Source: Ministry of Agriculture

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

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	May 2018		May 2019		May 2020	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	450	450	510	510	550	540
Beginning Stocks	187	187	122	122	140	140
Production	3500	3500	4100	4100	4400	4600
MY Imports	1335	1335	1368	1368	1700	1800
TY Imports	1358	1358	2003	2003	1500	1600
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	5022	5022	5590	5590	6240	6540
MY Exports	0	0	150	150	200	200
TY Exports	0	0	150	150	200	200
Feed and Residual	4600	4600	5000	5000	5400	5400
FSI Consumption	300	300	300	300	350	400
Total Consumption	4900	4900	5300	5300	5750	5800
Ending Stocks	122	122	140	140	290	540
Total Distribution	5022	5022	5590	5590	6240	6540
Yield	7.78	7.78	8.04	8.04	8.00	8.52

Note: Market Year (MY) – May to April and Trade Year (TY) – October to September

Policy Update:

Import:
For MY 2020/21, Post's corn import forecast estimate is raised to 1.8 MMT. Total corn imports for the period May-Dec 2020 were 1.7 million MT, 54 percent higher than imports (1.12 million MT) in the same period of the previous year. COVID-19's impact on supply chains has encouraged importers to source from India, rather than Brazil.

In an effort to support farmers following the COVID-19 lockdown, in October 2020, the GoB allocated Bangladesh taka (BDT) 864.3 million (US$10.16 million) for the purchase of seed and fertilizer for 800,000 small and subsistence farmers. Consistent with annual government support programs, Agricultural Extension Officers reported farmers had received the government-supplied seeds and fertilizer and will utilize the seed and fertilizer to expand agricultural production and to facilitate crop zoning.

The incentives will be provided to encourage production of *Boro* rice, wheat, corn, mustard, sunflower, peanut, onion, winter mungbean, and summer mungbean. Each farmer will receive seed of 1 kg hybrid Boro rice, or 20 kg wheat, or 2 kg maize, or 1 kg mustard, or 1 kg hybrid sunflower, or 10 kg peanuts, 5 kg winter/summer mung bean, or 0.25 kg onion (per 10 decimal of land) for cultivation per one-third acre of land (one bigha). In addition to the seed, the GoB will also provide 5-20kg of Diammonium Phosphate (DAP) and 5-10kg of Muriate of Potash (MOP) fertilizer to each farmer.

Farmers had also taken advantage of GoB farm mechanization subsidies which provided wetlands (haor) farmers a 70 percent subsidy for machine purchases and highland farmers a 50 percent subsidy. Still, some farmers said COVID-19 had made it difficult to purchase new machinery in 2020.

Table 5. Bangladesh: *Boro* rice competes with the alternative crops

General Crop Season	Rice Based Season	Competing Crops
Robi (Mid Oct – Mid Mar) Third Crop in Fiscal Year	*Boro Season Rice (Boro Rice)* Planting: Dec-Feb Harvesting: Apr-May	*Boro* season rice, potato, wheat, maize, sugarcane, cotton, mustard, lentils, onions, soybeans, groundnut, tobacco, and vegetables
Kharif-1 (Mid Mar – Mid Jul) First Crop in Fiscal Year	*Aus Season Rice (Aus Rice)* Planting Apr-May Harvesting: Jul-Aug	*Aus* season rice, jute, maize, mungbean, ginger, chili, onions, groundnuts and vegetables
Kharif-2 (Mid Jul – Mid Oct) Second Crop in Fiscal Year	*Aman Season Rice (Aman Rice)* Planting: Jul-Aug Harvesting: Nov-Dec	*Aman* season rice, cotton, jute, black gram, soybeans, and vegetables

Source: Crop Calendar of Krishi (Agriculture) Diary, Ministry of Agriculture
Note: Fiscal Year period is July - June and Marketing year for rice is May - April

Attachments:

No Attachments