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POLICY

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Bangladesh

Grain and Feed Update

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Report Highlights:

For marketing year (MY) 2017/18 (May to April), Post's estimates for total rice area and production is lowered to 11.3 million hectares and 33.1 million tons (MMT) due to heavy and prolonged rain and flooding. In MY 2017/18, the rice import forecast is raised to 1.6 million tons to boost depleted rice stocks. In MY 2017/18 (July-June), Post's wheat import forecast is raised to 6.5 million tons due to accelerated domestic consumption in the processed food industry. The corn production estimate in MY 2017/18 is raised to 33 MMT owing to increased yield of imported varieties and favorable weather.

Post:
Dhaka

Commodities:
Rice, Milled
Wheat
Corn

Author Defined:

Production:

For MY 2017/18, Post's estimate for total rice area and production is lowered to 11.3 million hectares (HA) and 33.1 million tons (MMT) on floods that affected the *Aus* harvest and *Aman* rice growth and production in most parts of northern, northwest, and central Bangladesh.

Massive amounts of crops lost to flooding imposed economic hardship on millions of farmers and households. After a devastating early flash flood in March, a second monsoon caused heavy flooding in July and especially August. The flooding affected 34 districts out of 64 administrative districts of the country. Heavy late monsoon rains in the upstream provinces of Assam, Meghalaya and Arunachal in India caused flooding in the north-eastern districts of Bangladesh. Out of 90 river water level monitoring stations in the country, 30 stations showed readings above the danger level of flooding. In one river, Jamuna at Bahadurabad point, the flood level reached 135 cm above the danger level, the highest flooding on record.

According to the Ministry of Disaster Management and Relief, the second round of flooding severely affected 208 sub-districts (upazila) and nearly 260,000 residents, and caused 147 deaths. Another almost 8 million residents suffered significant losses from flooding. The agriculture sector suffered most: the GOB estimates that flooding completely washed away over 100,000 ha and partially damaged another 500,000 ha. The impact on food supplies and livelihood of farmers has been dramatic. Those estimates may actually be conservative: according to the Humanitarian Coordination Task Team (HCTT), the area of crop damage was 650,000 ha. Of the damage, the crops most affected were *Aus* rice, *Aman* rice, *Aman* rice seedbed, seedling, jute, and vegetables. The secondary flooding also destroyed freshly planted *Aman* paddies and seedbeds, which dealt a fresh blow to farmers.

The resultant shortage of seedlings caused a price shock and in turn replantings of *Aman* rice were down sharply from market needs: some farmers switched to early winter crops instead of the costly seedlings. At most locations, farmers replanted late rice varieties BRRI dhan11, BRRI dhan22, BRRI dhan23, BRRI dhan46, BRRI dhan54 and Najirshaile, as well as local rice varieties. Post's sources expect poor yields on late planting and lower yielding local seed stock. In areas not affected by flooding, official sources and industry contacts both believe that September and October rains and good weather will result in a good harvest.

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

| Crop | MY2015-16 (Estimate) | | MY2016-17 (Estimate) | | MY2017-18 (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</i> | 4,700 | 18,700 | 4,750 | 18,890 | 4,472 | 17,800 |
| <i>Aus</i> | 1,220 | 2,600 | 1,098 | 2,338 | 1,100 | 2,350 |
| <i>Aman</i> | 5,845 | 13,200 | 5,900 | 13,350 | 5,800 | 13,000 |
| Total Rice | 11,765 | 34,500 | 11,748 | 34,578 | 11,372 | 33,150 |
| Wheat | 420 | 1,290 | 405 | 1,250 | 420 | 1,300 |
| Corn | 378 | 2,605 | 405 | 2,817 | 440 | 3,200 |

Due to the atypical 2017 monsoon, transplanting of *Aman* rice planting was completed quite late in the season, but favorable weather for growth of *Aman* rice indicates a likely good harvest. For more information on rice growing seasons (*Boro*, *Aman*, and *Aus*), please see GAIN Report [BG3004](#) or [BG5003](#).

Assuming normal weather conditions, Post's MY 2017/18 (July to June) forecast for wheat production is unchanged. Wheat (planted mid-November and harvest in March) can compete with *Boro* rice if grown in certain highland areas.

Post's MY 2017/18 (May-April) corn production estimate is raised substantially to 3.3 MMT due to cultivating high yield imported varieties, favorable weather, and farmlands at elevations unaffected by flooding.

Market Prices:

For October 2017, the retail price for coarse rice is BDT 50 (US\$0.63) per kilogram, which is 38 percent high than last year. (Figure 1) These record high rice prices will most affect farmers and residents who have already been victims of flooding. Retail prices continue their sharp rise and are likely to remain high through the next *Aman* rice harvest. And then the bad news continues: Post's contacts believe that the *Aman* rice price will be higher, too, since production is down. The one sure solution will be to import more rice.

For the same month, retail prices for wheat flour (also called *atta*) were estimated at BDT 28 (\$0.35) per kilogram, or 44 percent less expensive than rice. (Figure 2). We might expect flour consumption to increase, but convenience is still a factor: cooked rice requires less labour in preparation and can be stored for a longer period than unleavened flatbread (*chapatis*). Bangladesh imports approximately 75 percent of its total consumption needs for wheat.

As of October 2017, wholesale price of corn is BDT 20 (\$0.25) per kilogram, which is 17 percent higher than for the same time last year. (Figure 3)

From Sept 17, 2017, the GOB launched the sale of White (Atap) rice (rice milled from sun dried paddy).

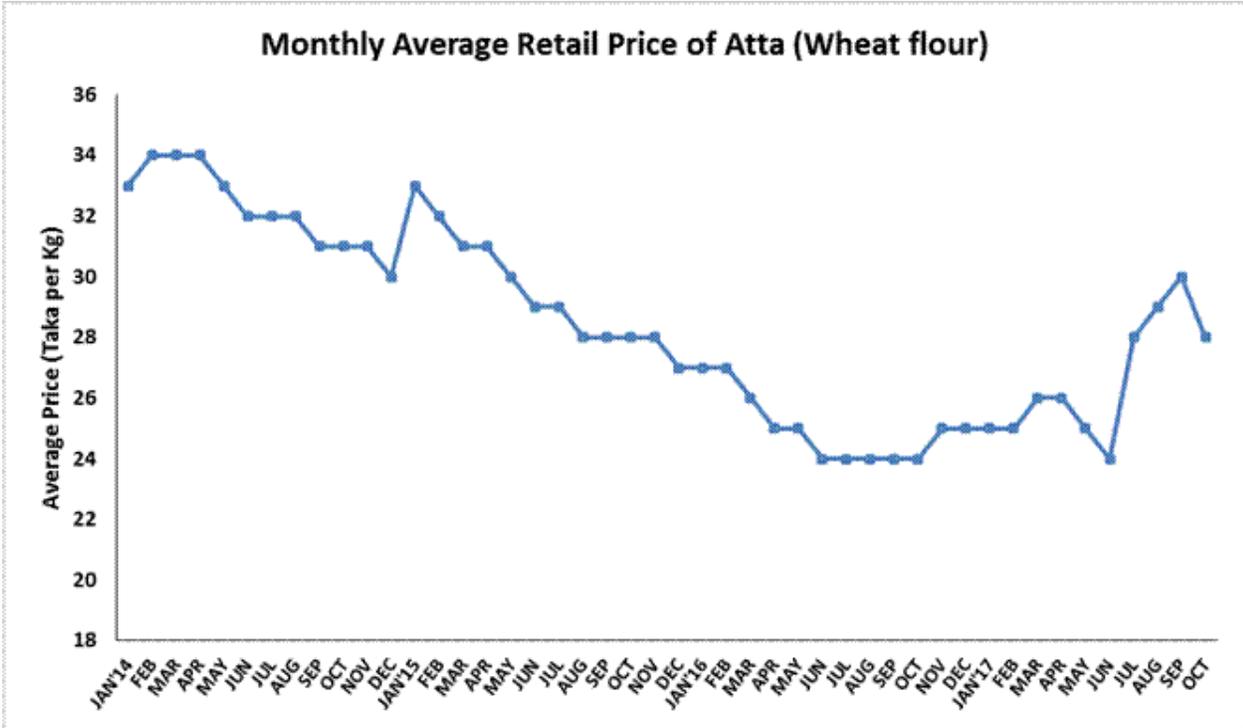
To aid the sale, the GOB subsidized the price through its Open Market Sales (OMS) program at BDT 30 (US\$ 0.37) per kg, which was a subsidy of about BDT 15. OMS support to the poor is needed, but subsidized prices that are still almost BDT 20 - 30 higher than consumer expectations are beyond the budget of many consumers. They buy parboiled rice instead of White (Atap) rice for daily consumption. Because the volume is so low, rice sales through the OMS program have minimal impact on prices even though the price in coarse rice in the open market was BDT 54 per kg, compared with the OMS program sales price at BDT 30 per kg.

Figure 1: Bangladesh- Coarse Rice Prices



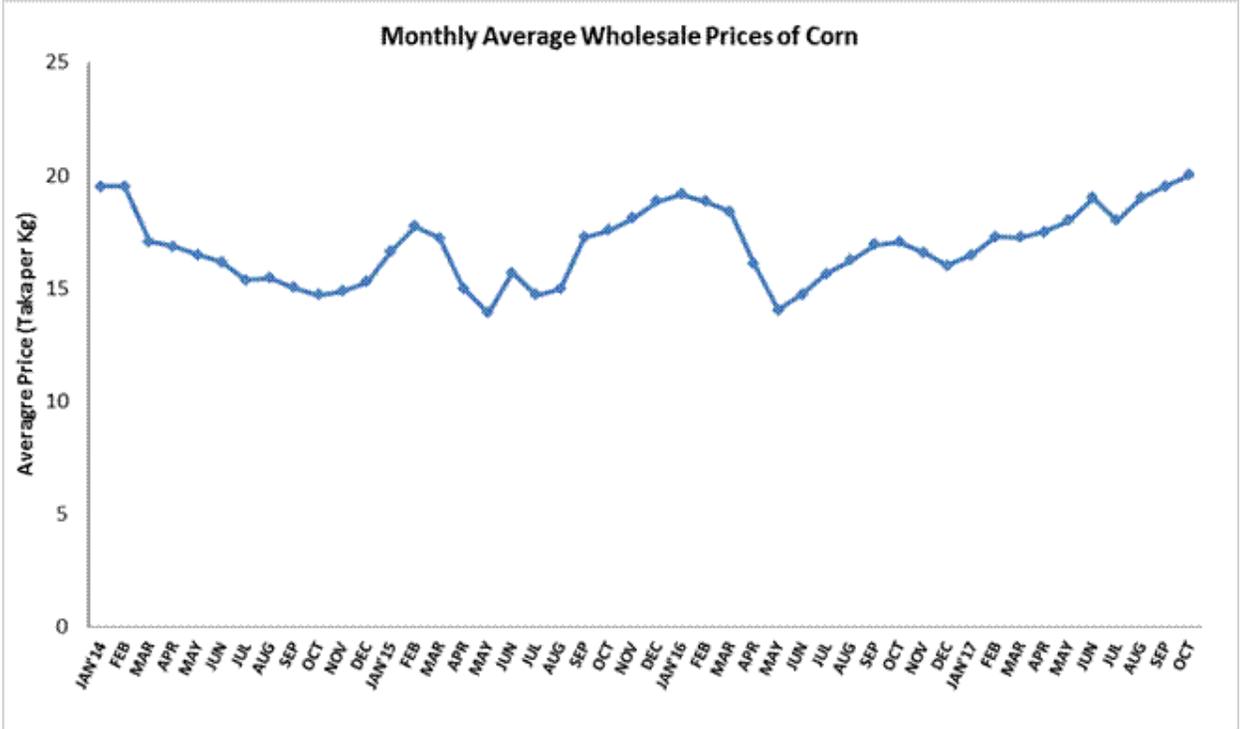
Source: Ministry of Agriculture, Government of Bangladesh

Figure 2: Bangladesh- Atta (wheat flour) Retail Prices



Source: Ministry of Agriculture, Government of Bangladesh

Figure 3: Bangladesh- Corn Prices



Source: Ministry of Agriculture, Government of Bangladesh

Trade:

In MY 2017/18, Post’s rice import forecast is raised to 1.6 MMT. For MY 2016/17, rice imports are lowered to 129,000 tons on customs data.

For MY 2017/18, Post’s wheat import forecast is higher at 6.5 MMT. Post’s MY 2016/17 wheat import estimate is revised down to 5.56 million tons on customs data.

Given better and sufficient domestic supplies, in MY 2017/18 Post’s corn imports forecast is reduced to one million tons; MY 2016/17 imports are lowered to 843,000 tons based on customs data.

Bangladesh, which was once a major rice producer, has become a big rice importer. The GOB imported 0.2 MMT of white rice at US\$430 a ton and 50,000 tons of parboiled rice at US\$470 a ton from Vietnam in a G2G deal, although this rate was much higher than in open tenders.

On August 14, 2017, the GOB also signed a memorandum of understanding (MOU) with the government of Cambodia to import 0.25 MMT of white rice at US\$453 a ton. This was part of a Ministerial level MOU on Aug 2 to import 1 MMT rice in the next five years to 2022. Other G2G rice deals finalized include purchase of 0.1 MMT from Myanmar at US\$442 per ton, 0.1 MMT from India’s Project and Equipment Corporation of India Ltd (PEC) at US\$455 a ton, and 0.15 MMT of parboiled rice from Thailand at US\$465 a ton. The prices include shipping, insurance, and discharge costs.

Table 2: Bangladesh Rice and Wheat importing

| Product Type | Trade Type | Country | Amount (MMT) | Price (US\$/Ton) | Status |
|--------------|-----------------|----------|--------------|------------------|------------------|
| White Rice | G2G | Vietnam | 0.2 | \$430 | Partly Completed |
| NB Parboiled | G2G | Vietnam | 0.05 | \$470 | Completed |
| NB Parboiled | G2G | Cambodia | 0.25 | \$453 | Under Process |
| NB Parboiled | G2G | Myanmar | 0.1 | \$442 | Under Process |
| NB Parboiled | G2G | India | 0.1 | \$455 | Under Process |
| NB Parboiled | G2G | Thailand | 0.15 | \$465 | Under Process |
| | G2G | Total | 0.85 | | |
| NB Parboiled | Intl. Tender | | 0.25 | | Under process |
| NB Parboiled | National Tender | | 0.2 | | Under process |
| Wheat | G2G | Russia | 0.2 | \$252 | Under Process |
| Wheat | Intl. Tender | | 0.15 | | Under Process |

Note: NB Parboiled – Non-Basmati Parboiled

On Oct 18, the GOB approved a G2G rice trade deal with India, which is the first in a decade. The Project and Equipment Corporation of India Ltd, under the Indian Commerce Ministry, will supply the rice within 60 days after the order to import is issued, which is expected in January 2018.

The GOB is replenishing depleted stocks of rice and wheat through three channels: G2G, international tender, and national tender. Through October, GOB completed or is in process to buy 0.85 MMT of rice through G2G, 0.25 MMT through international tender (5 packages, 50,000 each), and 0.2 MMT through a national supplier who will import 2 packages of 0.1 MMT each.

To provide some assistance, the GOB imported 0.2 MMT of wheat at US\$ 252 per ton from Russia. But overall, the GOB’s wheat purchases remained slow since trading houses often find the terms of sale to Bangladesh unattractive. Stringent state purchase conditions and a shortage of small lighter vessels at the Chittagong port create delays unloading and trigger extra charges for overstay to the importers. Such delays can run as long as 90 days.

Stocks:

As of Oct 5, 2017, the country’s public food grain stocks stood at 0.36 MMT rice and 0.10 MMT wheat, which year on year is 50% lower for rice and 65% lower for wheat. At least one million tons total is the standard reserve.

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

| Oct 05, 2017 | | | Oct 05, 2016 | | |
|--------------|--------|--------|--------------|--------|---------|
| Rice | Wheat | Total | Rice | Wheat | Total |
| 365.52 | 104.06 | 469.58 | 728.18 | 297.99 | 1026.17 |

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

From May 2 - Sept 28, 2017 of MY 2016/17 the Ministry of Food (MOF) procured 0.27 MMT *Boro* rice, which was only 21% of the target of 1.26 MMT (paddy 0.7 MMT and rice 0.8 MMT). Millers were reluctant to supply to the government procurement program since below market prices were being offered. As a result of inadequate procurement and lower public stocks, public food distribution in current FY 2017/18 dropped by 34% in rice and 21% in wheat distribution year on year. The same situation will result if below market prices are offered for *Aman* rice procurement in FY 2017/18.

Consumption:

Rice consumption in MY 2017/18 is projected down slightly to 34.9 million assuming supply shortages in the flood affected areas and price inflation in markets. Wheat and corn consumption in MY 2017/18 forecast is unchanged.

Policy:

The GOB is planning to automate the food procurement system to more efficiently manage communications and services to farmers, millers and government officials. A new online food procurement system will be officially piloted in two districts, Sherpur and Natore. The World Bank, Bangladesh Computer Council (BCC), and UK-based Ernst and Young (EY) will jointly provide governance to ensure an effective price support program for farmers.

Bangladesh Bank (BB) has approved rice traders to import rice on three months' deferred payment until December 31, 2017. This will boost rice trading and rice supply to the market, which will help to reduce inflation. Also, the central bank published its Agricultural and Rural Loan policy FY 2017-18. Part of the policy is targeted at distributing BDT 20.4 billion (US\$2.55 billion) worth of agricultural loans, with funding split between state banks and private or foreign banks. This creative funding raised target loan disbursements by 16 percent and reduced the loan interest rate to 9 percent from 10 percent for farmers affected by flooding and crop damage. Through June 30, 2018, the central bank will also provide new loans on the softer terms to small and medium entrepreneurs who are in default on previous loans.

On Aug 16, the GOB decided to import 1.5 MMT of rice and 0.5 MMT of wheat which was nearly double previous totals. Also on the same day, for the second time in two months, the GOB further slashed the rice import tariff to 2 percent from 10 percent.

Other support of the GOB to the 540,000 farmers most greatly affected by flooding was to provide incentive packages of seeds and fertilizer for a total value of BDT 587 million (US\$7.34 million). Farmers received input support for wheat, maize, nuts, mung (mug), felon, Bt eggplant, and mustard. As an example, wheat producers each received 20 kg of wheat seeds, 20 kg of DAP (Diammonium Phosphate), and 20 kg of MOP (Muriate of Potash), at a total cost of BDT 1,645 (US\$ 21). Similarly for maize cultivation, a farmer received 2 kg of seeds, 20 kg of DAP, and 10 kg of MOP. Through the Department of Agricultural Extension (DAE), the GOB also spent BDT 9 million (US\$ 0.11 million) for rehabilitation services to the flood-hit districts. Supports like *Aman* paddy seeds and seedlings are also given to the farmers through various government and non-government organizations. But these services to the flood-affected farmers are just a small fraction of the total support actually needed.

The record price shocks and volatility in the rice markets generated distrust between the government, rice traders, and millers, who each blamed one another for causing the situation. On Sept 19, 2017, the GOB allowed millers and traders to use plastic bags instead of expensive mandatory jute sacks for three months to facilitate transportation of imported rice and to encourage Open Market Sales of rice to the sub-district level.

Meanwhile, The Bangladesh Anti-Corruption Commission also initiated a three member committee to investigate rice traders, millers and food officials who are responsible for manipulating price through hoarding. The GOB already has blacklisted for the next three fiscal years 16,000 rice millers who hoarded rice illegally. (Hoarding is defined as holding the needed grain more than one month.) The Director General of Food, Department of Food, decided that consistent with the essential commodity control act of 1956, all unregistered rice and wheat traders in the supply chain must be licensed by the Directorate General of Food by the end of October; they are also required to share their food stock information every 15 days.

According to the statistics of the Directorate General of Food, more than 60,000 traders are doing business without a license but fewer than 40,000 traders and millers have licenses to do rice and wheat business across the country. Among the licensed traders, wholesalers number 1,372; retailers 6,406; flour mill owners 406; rice mill owners 20,544; OMS (open market sales) dealers 3,992; and fair price dealers 6,849.

Table 4: Bangladesh: GOB's support to flood affected farmers

| Date Announced | Agricultural Season | Support for Production | Support Type | Amount (BDT Million) | Amount (US\$) | Farmers Number |
|-----------------------|----------------------------|--|---|-----------------------------|----------------------|-----------------------|
| Aug 21, 2017 | Kharif-2 | T-Aman | Seed, Seedling | 90.86 | 1.14 | |
| Sept 10, 2017 | Kharif – 2, Robi, | Wheat, Corn, Mustard, Peanut, Felon, Bt Eggplant | Seed, 20 kg DAP 10 kg MoP | 587.58 | 7.34 | 541,201 |
| Oct 03, 2017 | Boro Rice | Boro Rice in Haor area | 5 kg seed, 20 kg DAP, 10 kg MoP, BDT 1000 | 1170 | 14.63 | 600,000 |
| | | | Total | 1848.44 | 23.11 | |

Table 5. 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 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 | 11,765 | 11,765 | 11,748 | 11,748 | 11,500 | 11,372 |
| Beginning Stocks | 1,592 | 1,592 | 1,205 | 1,205 | 853 | 908 |
| Milled Production | 34,500 | 34,500 | 34,578 | 34,578 | 33,500 | 33,150 |
| Rough Production | 51,755 | 51,755 | 51,872 | 51,872 | 50,255 | 49,730 |
| Milling Rate (.9999) | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 |
| MY Imports | 217 | 217 | 70 | 129 | 1,500 | 1,600 |
| TY Imports | 35 | 35 | 1,000 | 1,300 | 1,000 | 1,000 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 36,309 | 36,309 | 35,853 | 35,912 | 35,853 | 35,658 |
| 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 | 34,900 | 34,900 |
| Ending Stocks | 1,205 | 1,205 | 853 | 908 | 953 | 754 |
| Total Distribution | 36,309 | 36,309 | 35,853 | 35,912 | 35,853 | 35,658 |
| Yield (Rough) | 4.40 | 4.40 | 4.42 | 4.42 | 4.37 | 4.37 |

Table 6. Bangladesh: Commodity, Wheat, PSD

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

| <i>Wheat</i> | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|--------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| <i>Market Begin Year</i> | Jul 2015 | | Jul 2016 | | Jul 2017 | |
| <i>Bangladesh</i> | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 420 | 420 | 405 | 405 | 420 | 420 |
| Beginning Stocks | 1,667 | 1,667 | 2077 | 2,077 | 1883 | 1,883 |
| Production | 1,290 | 1,290 | 1250 | 1,250 | 1300 | 1,300 |
| MY Imports | 4,720 | 4,720 | 5556 | 5,556 | 6500 | 6,500 |
| TY Imports | 4,720 | 4,720 | 5556 | 5,556 | 6500 | 6,500 |
| TY Imp. from U.S. | 87 | 87 | 257 | 257 | 0 | 250 |
| Total Supply | 7,677 | 7,677 | 8883 | 8,883 | 9683 | 9,683 |
| 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 | 5,600 | 5,600 | 7000 | 7,000 | 7500 | 7,300 |
| Total Consumption | 5,600 | 5,600 | 7000 | 7,000 | 7500 | 7,300 |
| Ending Stocks | 2,077 | 2,077 | 1883 | 1,883 | 2183 | 2,383 |
| Total Distribution | 7,677 | 7,677 | 8883 | 8,883 | 9683 | 9,683 |
| Yield | 3.07 | 3.07 | 3.09 | 3.09 | 3.10 | 3.10 |

Table 7. 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 | 81 | 81 |
| Production | 2605 | 2605 | 2817 | 2817 | 3100 | 3300 |
| MY Imports | 776 | 776 | 843 | 843 | 1000 | 1000 |
| TY Imports | 1042 | 1042 | 1000 | 1000 | 1100 | 1100 |
| TY Imp. from U.S. | 132 | 132 | 0 | 200 | 0 | 250 |
| Total Supply | 3421 | 3421 | 3681 | 3681 | 4181 | 4381 |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed and Residual | 3100 | 3100 | 3300 | 3300 | 3800 | 3700 |
| FSI Consumption | 300 | 300 | 300 | 300 | 300 | 300 |
| Total Consumption | 3400 | 3400 | 3600 | 3600 | 4100 | 4000 |
| Ending Stocks | 21 | 21 | 81 | 81 | 81 | 381 |

| | | | | | | |
|--------------------|--------|------|------|------|------|------|
| Total Distribution | 3421 | 3421 | 3681 | 3681 | 4181 | 4381 |
| Yield | 6.8915 | 6.89 | 6.96 | 6.96 | 7.05 | 7.50 |