Required Report - public distribution

**Date:** 7/31/2014

**GAIN Report Number:** BG4004

# Bangladesh

# Grain and Feed Update

# 2014

**Approved By:**
Joshua Emmanuel Lagos
**Prepared By:**
Sayed Sarwer Hussain and
Santosh K. Singh

**Report Highlights:**

For marketing year (MY) 2014/15 (May to April), Post's estimate for total rice area and production is revised down to 11.8 million hectares and 34.6 million tons on lower *Boro* rice acreage. For MY 2014/15, Post's wheat import forecast remains unchanged at 3.3 million tons on expectations of low international wheat prices.

| **Post:** | **Commodities:** |
|---|---|
| Dhaka | Rice, Milled<br>Wheat |

**Executive Summary:**

For marketing year (MY) 2014/15 (May to April), Post's estimate for total rice area and production is revised down to 11.8 million hectares and 34.6 million tons on lower *Boro* rice acreage. Post's MY 2013/14 and MY 2014/15 (July to June) wheat production forecasts are unchanged at 1.28 and 1.3 million tons assuming normal weather conditions. The MY 2014/15 rice import forecast is raised to 500,000 tons on less rice production, population growth, and expectations of competitive import prices. For MY 2014/15, Post's wheat import forecast remains unchanged at 3.3 million tons on expectations of low international wheat prices.

**Author Defined:**

**Rice and Wheat Production**

For marketing year (MY) 2014/15 (May to April), Post's estimate for total rice area and production is revised down to 11.8 million hectares and 34.6 million tons on lower *Boro* rice acreage (planted in December/January) as farmers reportedly have switched to more profitable crops. In MY 2013/14, based on information from Post contacts and official data, total rice production is down 0.5 percent to 34.39 million tons (comprises 18.78 million tons of *Boro* rice, 2.41 million tons of *Aus* rice, and 13.20 million tons of *Aman* rice).

According to contacts, MY 2014/15 *Boro* rice area (100 percent of *Boro* rice area is irrigated) fell due to higher production costs (irrigation and labor). Farmers allegedly are switching to other relatively more profitable crops such as maize, wheat, potatoes, pulses, and oilseeds. However, even with less *Boro* rice, other contacts believe that *Boro* rice yields may remain robust because more farmers are using hybrid rice seeds. Because of a normal monsoon, Post contacts contend that *Aman* rice seedling production is progressing on schedule. For more information on rice growing seasons (*Boro, Aman, and Aus)*, please see GAIN Report BG3004.

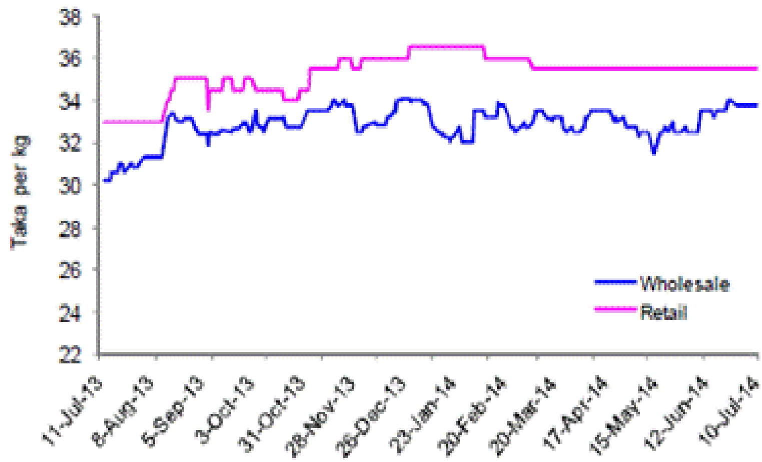
On March 20, 2014, the Bangladesh Ministry of Food (MOF) set a procurement price for milled and paddy (unmilled) *Boro* rice at BDT 31 ($0.39) and BDT 20 ($0.25) per kilogram. Government sources believe the production cost for *Boro* paddy rice is BDT 17.5 ($0.22) per kilogram; however, farmers noted production costs ranged from BDT 18 to 21 ($0.23 to $0.27) per kilogram. The government of Bangladesh (GOB) began procuring *Boro* rice on May 1, 2014, which is expected to last until September 30, 2014. For MY 2014/15, the GOB is anticipated to begin procuring *Aman* rice from December 1, 2014 to March 31, 2015. To date, no minimum procurement price has been set for *Aman* rice, although this is usually announced at the end of October/early November. There is no procurement drive for *Aus* rice.

Post's MY 2013/14 and MY 2014/15 (July to June) wheat production forecasts are unchanged at 1.28 and 1.3 million tons assuming normal weather conditions. From April to June 2014, the GOB set a domestic procurement price for wheat at BDT 27 ($0.34) per kilogram.

## Rice and Wheat Market Prices

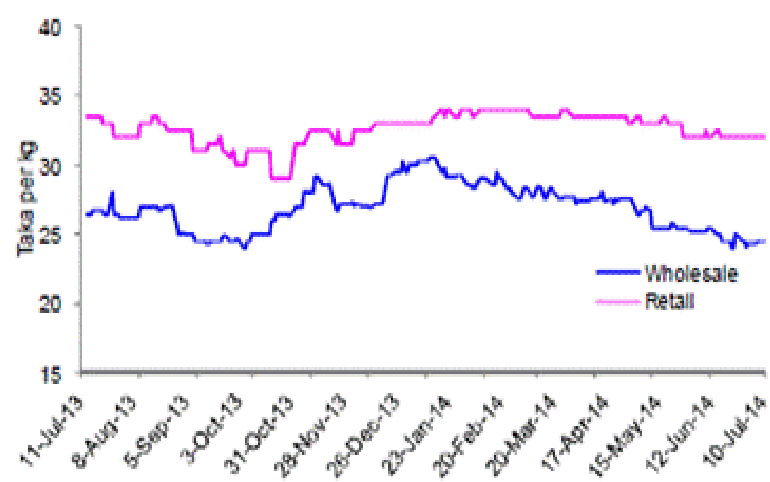
On July 10, 2014, in Dhaka the wholesale and retail prices for rice were BDT 33.50 ($0.42) and BDT 35.50 ($0.45) per kilogram, respectively, which were 11 percent and 7.6 percent higher than last year (Figure 1). On the same day, the average retail price of wheat flour (also called *ata*) in Dhaka was estimated at BDT 32.50 ($0.41) per kilogram, which was about 3 percent less expensive than last year (Figure-2), and 8 percent less than current rice retail prices. For MY 2014/15, the July WASDE currently predicts strong global wheat supplies, which may lead to low international wheat prices. Because wheat imports constitute approximately 70 percent of total Bangladeshi consumption, lower international wheat prices may cause some consumers to purchase more wheat flour if rice prices remain high (see consumption and import section).

**Figure 1: Bangladesh- Rice Prices in Dhaka**




Source: Ministry of Food, Government of Bangladesh

**Figure 2: Bangladesh- Wheat Flour Prices in Dhaka**



## Consumption

The MY 2014/15 and MY 2013/14 rice consumption forecasts are revised to 35.2 million and 34.9 million tons on population growth. The MY 2014/15 wheat consumption projection is raised to 4.7 million on expectations of competitive international wheat prices (see Rice and Wheat Prices and Rice and Wheat Imports sections). For MY 2013/14, Post's wheat consumption estimate remains unchanged at 4.3 million tons on stronger demand for less expensive imported wheat.

## Rice and Wheat Imports

The MY 2014/15 rice import forecast is raised to 500,000 tons on population growth, less rice production, and expectations of competitive prices, particularly from India assuming normal weather conditions for August and September. For MY 2013/14, the rice import estimate is increased to 678,000 tons on competitive Indian prices (see GAIN Report BG4002). For MY 2014/15, Post's wheat import forecast remains unchanged at 3.3 million tons on expectations of low international wheat prices. Post's MY 2013/14 wheat import estimate is revised up to 3.3 million tons on competitive prices and import pace.

## Rice and Wheat Stocks

According to the MOF, in comparison to last year, in July 2014 government rice stocks fell from 880,000 to 800,400 tons due to higher distribution under the Public Food Distribution System (PFDS) and no government purchases of imported rice in MY 2013/14. For July 2014, the same source government wheat stocks were up 18 percent to 360,000 tons on higher domestic purchases and imports in MY 2013/14.

## Policy

In MY 2013/14, according to the MOF, Bangladesh procured 1.45 million tons and 50,000 tons of rice and wheat from the domestic market. For MY 2014/15, according to the budget announcement by the Ministry of Finance, the GOB plans to procure 1.4 million and 50,000 tons of rice and wheat from the domestic market, and import 200,000 and 900,000 tons of rice and wheat. For fiscal year (FY) 2014/15 (July to June), Bangladesh extended the export ban on non-fragrant rice. However, the GOB may allow aromatic/fragrant rice exports with permission from the Ministry of Commerce.

**Table 1. Bangladesh: Commodity, Rice, Milled, PSD**

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

| Rice, Milled Bangladesh | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: May 2012 | | Market Year Begin: May 2013 | | Market Year Begin: May 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 11,650 | 11,650 | 11,770 | 11,770 | 11,820 | 11,800 |
| Beginning Stocks | 1,341 | 1,341 | 696 | 696 | 1,086 | 864 |
| Milled Production | 33,820 | 33,820 | 34,590 | 34,390 | 34,800 | 34,600 |
| Rough Production | 50,735 | 50,735 | 51,890 | 51,590 | 52,205 | 51,905 |
| Milling Rate (.9999) | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 | 6,666 |
| MY Imports | 35 | 35 | 400 | 678 | 100 | 500 |
| TY Imports | 114 | 300 | 500 | 700 | 200 | 500 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 35,196 | 35,196 | 35,686 | 35,764 | 35,986 | 35,964 |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumption and Residual | 34,500 | 34,500 | 34,600 | 34,900 | 34,800 | 35,200 |
| Ending Stocks | 696 | 696 | 1,086 | 864 | 1,186 | 764 |
| Total Distribution | 35,196 | 35,196 | 35,686 | 35,764 | 35,986 | 35,964 |
| Yield (Rough) | 4. | 4.3549 | 4. | 4.3832 | 4. | 4.3987 |

**Table 2. Bangladesh: Commodity, Wheat, PSD**

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

| Wheat Bangladesh | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jul 2012 | | Market Year Begin: May 2013 | | Market Year Begin: May 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 410 | 410 | 410 | 410 | 415 | 415 |
| Beginning Stocks | 1,096 | 1,096 | 1,075 | 1,075 | 1,235 | 1,355 |
| Production | 1,260 | 1,260 | 1,260 | 1,280 | 1,300 | 1,300 |
| MY Imports | 2,719 | 2,719 | 3,300 | 3,300 | 3,300 | 3,300 |
| TY Imports | 2,719 | 2,719 | 3,300 | 3,300 | 3,300 | 3,300 |
| TY Imp. from U.S. | 52 | 52 | 0 | 0 | 0 | 0 |
| Total Supply | 5,075 | 5,075 | 5,635 | 5,655 | 5,835 | 5,955 |
| 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 | 4,000 | 4,000 | 4,400 | 4,300 | 4,700 | 4,700 |
| Total Consumption | 4,000 | 4,000 | 4,400 | 4,300 | 4,700 | 4,700 |
| Ending Stocks | 1,075 | 1,075 | 1,235 | 1,355 | 1,135 | 1,255 |
| Total Distribution | 5,075 | 5,075 | 5,635 | 5,655 | 5,835 | 5,955 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Yield | 3. | 3.0732 | 3. | 3.122 | 3. | 3.1325 |