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The Bangladesh Budget FY 2014-15 – Agricultural Highlights

Report Categories:

Agriculture in the Economy

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Report Highlights:

The proposed national budget for FY 2014-15 (July-June) is BDT 2.5 trillion (\$ 31.6 billion), 15.9 percent higher than last year. The Ministry of Fisheries and Livestock received a 52.6 percent boost to increase egg, fish, meat, and fluid milk production, as well as support animal vaccine manufacturing and veterinary services. The budget provided customs duty exemptions for: a) agricultural commodities like rice, pulses, wheat, and onions; b) agricultural inputs such as fertilizer, insecticide, and seeds; c) life- saving drugs; and d) industrial raw materials such as cotton.

Executive Summary:

The proposed national budget for FY 2014-15 (July-June) is BDT 2.5 trillion (\$ 31.6 billion), 15.9 percent higher than last year. The Ministry of Agriculture (MOA) received 4.95 percent of that budget, or BDT 123.9 billion (\$ 1.57 billion), which will be used for development and non-development programming. The Ministry of Fisheries and Livestock received a 52.6 percent boost to increase egg, fish, meat, and fluid milk production, as well as support animal vaccine manufacturing and veterinary services. Agricultural input subsidies remained unchanged. The budget provided customs duty exemptions for: a) agricultural commodities like rice, pulses, wheat, and onions; b) agricultural inputs such as fertilizer, insecticide, and seeds; c) life- saving drugs; and d) industrial raw materials such as cotton. Import duties on capital goods, basic raw materials, intermediate raw materials, and finished products remain at two percent, five percent, 10 percent, and 25 percent, respectively.

General Information:

General

The proposed national budget for FY 2014-15 (July-June) is BDT 2.5 trillion (\$ 31.6 billion), 15.9 percent higher than last year. Finance Minister A.M. A Muhith noted that this year's budget would primarily focus on continuing existing monetary and fiscal policies to ensure macroeconomic stability. The FY 2014-15 budget was approved on June 30, 2014.

The budget projects GDP growth at 7.3 percent for FY 2014-15 on strong industrial sector growth, increased investment via more public-private partnerships, more exports due to a stimulus package for export-oriented industries, and increased milk, meat, and egg production. Over the past four years, Bangladesh's average GDP growth stood at 6.14 percent.

The budget text noted a goal of lowering the average annual inflation rate to 6 percent, although this may be difficult due to expectations of continued strong domestic food prices, higher labor costs, high energy prices, and other factors. The Bureau of Statistics estimated the 10-month average (July-April) inflation rate for FY 2013-14 at 7.37 percent.

Agriculture

The FY 2014-15 budget allocated BDT 90 billion (\$1.14 billion) for agricultural input subsidies, which are unchanged from last year. In spite of the subsidy, overall agricultural production costs are expected to continue to increase due to higher labor wages, irrigation costs, and diesel prices. The MOA received BDT 123.9 billion (\$1.57 billion) for development (\$193 million) and non-development (\$1.377 billion) expenditures. Development programming monies are used for projects such as technology transfer, integrated pest management, crop diversification, and irrigation management. Non-development monies are used for agricultural extension and research that are directly administered by the government. The Agricultural Research Endowment Fund will receive BDT 4.12 billion (\$52 million), which is awarded to scientists on a competitive basis, and must be used on projects that enhance agricultural productivity.

The Ministry of Fisheries and Livestock will receive BDT 7.02 billion (\$89 million), which is 52.6 percent higher than last year, and will be used to increase egg, fish, meat, and fluid milk production, as well as support animal vaccine manufacturing and veterinary services (including artificial insemination).

Other programming includes increasing *Hilsha* fish production, and implementing sustainable aquatic management practices in the Bay of Bengal.

Food Security

The FY 2014-15 budget continues to fund the previous year's food security programs. The budget allocated BDT 49.6 billion (\$628 million) for grain procurement, which is 21 percent higher than last year. Moreover, the budget noted it would raise the government of Bangladesh's (GOB) public food grain storage capacity to 2.2 million tons by 2015, although no specific allocations were included.

Accordingly, the GOB plans to procure 1.4 million tons of rice and 150,000 tons of wheat from the domestic market. During the same FY, it also plans to import 200,000 tons of rice and 900,000 tons of wheat, which is unchanged from last year's procurement estimates.

The GOB distributes grains to the impoverished rural and urban population through the Public Food Distribution System (PFDS), which benefits over 30 million people. For FY 2014-15, the government plans to allocate 1.63 million tons of grains, which is 11.6 percent higher than last year's revised allocation. Annual programs that operate under the PFDS include: Vulnerable Group Feeding (VGF), Food for Work (FFW), Vulnerable Group Development (VGD), and Open Market Sales (OPS).

Social Safety Net

Finance Minister Muhith indicated that the GOB plans to create target-oriented social safety net programs (SSNPs) that focus on the extreme poor. In the rural areas, the SSNPs generate employment and provide financial assistance by distributing allowances. Programming also focuses on rural manpower development and employment and disaster management. Reportedly, a National Population Register has been created to identify eligible SSNP beneficiaries. Eligible beneficiaries will be evaluated on education, health, and family welfare needs. Although the FY 2014-15 budget proposal did not specify allocations for the SSNP, the Ministry of Finance website published that the program will receive BDT 307.5 billion (\$3.89 billion).

Climate Change and Environment

The FY 2014-15 budget did not provide any allocations for climate change. However, the budget text noted that the GOB should update the Bangladesh Climate Change Strategy and Action Plan, 2009, impose an eco-tax on individuals or companies that dump industrial waste or sewage into protected bodies of water, and harmonize the National Biodiversity Strategy and Action Plan with the United Nation's Strategic Plan for Biodiversity 2011-2020.

Customs Duties and Supplementary Duties

The budget provided customs duty exemptions for: a) agricultural commodities like rice, pulses, wheat,

and onions; b) agricultural inputs such as fertilizer, insecticide, and seeds; c) life- saving drugs; and d) industrial raw materials such as cotton. Import duties on capital goods, basic raw materials, intermediate raw materials, and finished products remain at two percent, five percent, 10 percent, and 25 percent, respectively. Bangladesh prohibited non-fragrant rice exports and implemented an export duty on rice bran to keep domestic grain prices low. Import duties were also raised for sugar product and dry mixed ingredient imports.

Table-1: Bangladesh - Import Duty Rates

Sl. No.	H.S. Code	Descriptions	FY 2013-14 Rate (%)	FY 2014-15 Rate (%)
1	01 06.41.00	Bees	5	0
2	10 07.10.10 1007.10.90	Sorghum seed	5	0
3	11 08.13.00	Potato starch	5	10
4	17 01.12.00	Raw beet sugar	BDT 1500 per MT	BDT 2000 per MT
5	1701.13.00	Raw cane sugar specified in Subheading	BDT 1500 per MT	BDT 2000 per MT
6	17 01.14.00	Other raw cane sugar	BDT 1500 per MT	BDT 2000 per MT
7	17 01.91.00	Other sugar containing added flavoring or coloring matter	BDT 3000 per MT	BDT 4500 per MT
8	17 01.99.00	Other sugar	BDT 3000 per MT	BDT 4500 per MT
9	19 01.90.20	Dry mixed ingredients of food preparations imported in bulk	10	15
10	21 03.90.10	Mixed seasonings imported by VAT registered foodstuffs manufacturing industries	25	10
11	21 06.90.29	Other Beverage concentrate	10	25
12	21 06.90.40	Stabilizer for milk imported by VAT registered milk foodstuffs manufacturing industries	25	10

Table-2: Bangladesh- Export Duty Rate

Sl. No.	H.S. Code	Descriptions	FY 2013-14 Rate (%)	FY 2014-15 Rate (%)
1	2302.40.10	Rice bran	0	10

Others:

Other new budget proposals include initiating measures like Customs-to-Customs Co-operation, Customs Valuation Management, Goods Examination Management, Customs Business Partnership, Customs Bond Management, and Coordinated Border Management, all of which are intended to reduce evasions, undervaluation, smuggling, and bond leakages.

The Bangladesh Budget FY 2014-15 is available at: <http://www.mof.gov.bd/en/>

Appendix-1: Bangladesh- Reduction of Supplementary Duties

Heading No.	H.S. Code	Descriptions	FY 2013-14 Rate (%)	FY 2014-15 Rate (%)
03.02	All H.S. Code	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04	20	15
03.03	All H.S. Code	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04.	20	15
03.04	All H.S. Code	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	20	15
03.05	0305.10.10	Flours, meals and pellets of fish, fit for human consumption, Wrapped/canned up to 2.5 kg	20	10
	0305.31.90 0305.32.90 0305.39.90	Other fish fillets, dried, salted or in brine, but not smoked (excluding wrapped/canned up to 2.5 kg)	20	10
	0305.59.90	Dried fish, other than edible fish offal, whether or not salted but not smoked (excluding wrapped/canned up to 2.5 kg)	20	10
03.06	0306.16.00 0306.17.00	Frozen shrimps	20	15
04.05	All H.S. Code	Butter and other fats and oils derived from milk; dairy spreads.	20	15
07.02	All H.S. Code	Tomatoes, fresh or chilled	20	15
07.09	All H.S. Code	Other vegetables, fresh or chilled	20	15
08.02	0802.90.11 0802.90.19	Betelnuts whether or not shelled or peeled	20	15
17.02	1702.40.00	Glucose and glucose syrup, containing in the dry state at least 20% but less than 50% by weight of fructose, excluding invert sugar	30	20
17.04	All H.S. Code	Sugar confectionery (including white chocolate), not containing cocoa.	45	30
18.06	1806.20.00	Chocolate and other food preparations containing	45	30

		Cocoa Other preparations in blocks, slabs or bars weighing more than 2 kg., or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg		
	1806.31.00 1806.32.00	Finished chocolate (in blocks, slabs or bars)	45	30
	1806.90.00	Other chocolate	45	30
19.02	All H.S. Code	Pasta, whether or not cooked or stuffed or otherwise prepared; couscous	60	45
19.04	All H.S. Code	Prepared foods obtained by the swelling or roasting of cereals or cereal products; all types of cereals	60	45
19.05	1905.31.00	Sweet biscuits	100	60
1905	1905.32.00	Waffles and wafers	100	60
	1905.40.00	Rusks, toasted bread and similar toasted products	100	60
	1905.90.00	Other	100	60
20.05	2005.20.00	Potato Chips	60	45
20.09	All H.S. Code	Fruit juices (including grape must) and vegetable juices, unfermented not containing added spirit, whether or not containing added sugar or other sweetening matter	30	20
21.03	All H.S. Code excluding 2103.90.10	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard	30	20
21.05	2105.00.00	Ice cream and other edible ice, whether or not containing cocoa	30	20
50.07	5007.20.00	Silk fabrics	60	45
52.08 to 52.12	All H.S. Code	Woven fabrics	30	20
54.07 & 54.08	All H.S. Code excluding 5407.10.10	Woven fabrics	30	20
55.12 to 55.16	All H.S. Code	Woven fabrics	30	20
58.01	All H.S. Code	Woven pile fabrics and chenille fabrics, other than fabrics of heading 58.02 or 58.06.	45	30
59.03	5903.10.90	Other textile fabrics, impregnated, coated, covered or laminated with polyvinyl chloride	45	30
	5903.20.90	Other textile fabrics, impregnated, coated, covered or laminated with polyurethane	45	30
	5903.90.90	Other textile fabrics with polyurethane	45	30
60.01	All H.S. Code	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted	45	30

60.02	All H.S. Code	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 60.01	45	30
60.03	All H.S. Code	Knitted or crocheted fabrics of a width not exceeding 30 cm, other than those of heading 60.01 or 60.02	45	30
60.04	All H.S. Code	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other those of heading 60.01	45	30
60.05	All H.S. Code	Warp knit fabrics (including those made on galloon knitting machines), other than of headings 60.01 to 60.04	45	30
60.06	All H.S. Code	Other knitted or crocheted fabrics	45	30
62.11	6211.32.00 6211.33.00 6211.39.00 6211.42.00 6211.43.00 6211.49.00	Track suits and other garments (excluding ski suits and swimwear)	45	30
62.12 to 62.17	All H.S. Code	Brassieres, girdles, corsets, brace, suspenders, garters, handkerchiefs, shawls, scarves, mufflers, mantillas, veils, ties, bow ties and cravats, gloves, mittens and mitts and other made up clothing accessories; parts of garments or of clothing accessories	60	45