BANGLADESH FOOD SITUATION IN FY2002

I. FOOD BUDGET

After achieving self-sufficiency in food and maintaining it for two consecutive years (FY1999/00 and FY2000/01), the government prepared an optimistic food budget for the present year (i.e. FY2001/02). It aimed for a closing public stock of 986.7 thousand metric tons against an opening public stock of 867 thousand metric tons. Budgeted food aid was projected at 575 thousand metric tons, which is 17% higher than last year's realised aid. Commercial import of food is budgeted to be 350 thousand metric tons of rice and wheat. The government retained some policy measures taken in earlier years to discourage private imports out a time of adequate local food stocks. These measures include tariff barriers and restraints on credit to finance food imports. The present tariff structure for rice import consists of a customs duty of 25%, regulatory duty of 10% (to discourage imports, effective from August 07, 2001), an advance income tax 3 % and development surcharge of 2.5%. All these duties together add up to a total tariff of 40.5% of the landed cost of a ton of imported foodgrains. Furthermore, the government has prohibited rice imports (from India) at all land ports except Benapole. This is because India had emerged as the principal source of private imports where consignments were brought across all points of the border in relatively small lots. Such imports were largely drawn by the state of relative prices of foodgrains across the border in either country. Thus far no quantitative restriction has been imposed on the import of rice. Instead the government has opted for indirect restraints such as the introduction of a 100% LC margin to discourage rice imports. Recently, the requirement for the LC margin for rice import has been reduced to 25% (effective from February, 2002).

Total requirement of food in FY2001/02 is estimated to be 22.02 million metric tons (Table 1). The targeted production of rice and wheat is 27.93 million metric tons. Thus, the target of Net Domestic Production of Foodgrain (after 10% deduction for seed, waste etc.) was fixed at 25.137 million metric tons. To accommodate the increase in population, the current year's foodgarin requirement is fixed at 1.5 percent higher than last year. The production targets of rice and wheat have been respectively set at 4 and 11 percent higher than last year. The production target of *Aus*, *Aman* and

Boro rice was set at 1.84, 11.55 and 12.69 million metric tons, respectively. The production target for *Aus* is 4 percent lower than last year's actual production. For *Aman* and *Boro*, the target is 2.7 and 4.5% higher than last year's actual production. Thus, targeted production is expected to provide a food surplus of 3.117 million metric tons from domestic production. The budget is expected to program for total imports of rice and wheat of 1.925 million metric tons. Therefore, the net requirement as projected in the food budget after import, indicates a surplus of 5.042 million metric tons.

TABLE 1: FOOD BUDGET FOR BANGLADESH, 2001/2002

(figures in thousand m. tons)

Items	FY-2001/2002 (Budget)			FY-2000/2001 (Actual)			FY-1999/2000 (Actual)		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
1. Opening public Stock (1st July)	422	445	867	563	528	1091	695	504	1199
2. Mid-year population (Million):			133			131			129
3. Requirement (@16Oz./Capita/Day)			22020			21689			21357
4. Gross Domestic Production	2608	185	2793	25086	1673	26759	23067	184	24907
5. Net Domestic Production: (After 10 % deduction for seed, waste etc.)			25137			24083			22416
6. Domestic Production Surplus			3117			23946			10589
7. Food grain Imports through Formal Sources									
Aided Imports	0	575	575	32	459	491	5	865	870
GOB Commercial Imports	150	200	350	0	0	0	0	0	0
Private Sector Imports	300	700	1000	529	534	1063	428	806	1234
Total Imports	450	1450	1925	561	993	1554	433	1671	2104
8. Net Requirement Surplus after Imports (Item 6+Item7)			5042			39486			31629
9. Public Internal Procurement									
Procured Quantity	300	700	1000	823	265	1088	756	211	967
10. Public Food Distribution Programme:									
OMS/EPC	100	100	200	0	28	28	1	35	36
Ration(Ep/OP/LE)&FM	135	129	264	128	111	239	131	124	255
FFE(PMED)GOB	200	150	350	141	160	301	112	174	286
FFW(GOB+Donor)	110	468	578	315	274	589	334	420	754
VGD(GOB+Donor)	64	120	184	61	124	185	62	155	217
VGF-GOB	15	0	15	178	23	201	127	22	149
TR/GR/HT/(MDMR)	155	15	170	160	71	231	109	94	203
Total Public Distribution	779	982	1761	983	791	1774	876	1024	1900
11. Closing Public Stock	467.4	519.3	986.7	422	445	867	563	528	1091

Source: Ministry of Food.

This short note assesses the current food situation by monitoring the production of *Aus* and *Aman* rice and closely observing the progress in *Boro* and wheat cultivation. It also sheds some light on the import situation of food (rice and wheat), as well as the domestic and international price and global production scenario for rice and wheat. On the basis of the assessment, some policy suggestions are provided for food security.

The next section discusses the availability and price scenario for inputs while Section 3 describes the *Aus* production situation and projects the area, production and yield of *Boro* and wheat. It also discusses the foodgrain procurement and disbursement situation. The domestic as well as international price situation of rice and wheat is also discussed in Section 4. The import of rice and wheat and the public foodgrain stock situation and a projected food balance sheet are reported in Section 5. Finally, the conclusions and policy implications are discussed in the concluding section of the paper.

II. AGRICULTURAL INPUTS: AVAILABILITY AND PRICES

Fertilizer: Fertilizer is one of the essential inputs for crop production. Availability and affordability of fertilizer is thus an important determinant of the level of crop output. Except for a very few locations, for short periods fertilizer availability was not been a major problem in FY2001-02. Though fertilizer availability is not a major problem, the price of fertilizer is higher than last year's price. The price per kg of urea during the first two weeks of February, 2002 varied between Tk. 5.50 and Tk.6.50 in different parts of the country. During the same period the price per kg of TSP was between Tk. 11.00 and Tk. 15.00 and for MP it was between Tk. 8.00 and Tk. 13.00. In contrast the average price (Tk./Kg) of Urea, TSP and MP during the last year (FY2001/02) was about Tk. 5.60, 11.34 and 8.56, respectively.

TSP appears to be the only fertilizer to have kept its price below that of the previous year. However, the Government has decided to increase price of locally produced TSP and SSP fertilizer (effective from February 10, 2002) by TK. 2000 and Tk. 600 per ton, respectively. Prior to the increase, the per ton price of TSP and SSP was Tk. 8500.00 and Tk. 3900.00, respectively. This reflects an increase of 23.5% for TSP and

15.4% for SSP which is quite a significant one step increase. The price of TSP (50 kg bag) before the increase was Tk. 425.00, this has now risen to Tk. 525.00. The price of SSP (50 kg bag) has also increased from Tk.195.00 to Tk. 225.00. Due to the price increase of locally produced TSP fertilizer, dealers may face some problems because of the fact that after adding transport cost, the TSP price (50 kg bag) would be around Tk.550. On the other hand, the price of imported TSP in different markets ranges between Tk. 440 and Tk.522 (*Janakantha*, February 19, 2002).

During the 1990s, total fertilizer use increased by 50% but use of TSP declined by about 50%. Increase in fertilizer use was thus due to the higher consumption of urea and other fertilizers (SSP, Zinc, and Zipsum). The level of TSP consumption was reduced by almost 50% which may be explained by the relatively high increase in the TSP/Paddy price ratio. Movement in the fertilizer/paddy price ratio serves as a good indicator for the farmer's production incentive over time. The elimination of the explicit subsidy on fertilizer, combined with the fall in paddy prices, significantly raised the fertilizer/paddy price ratio since the early nineties. This has adversely affected the use of fertilizers, particularly TSP and may affect the long-run productivity (Deb, 2002). A serious distortion which has emerged has been the relative rise in the price of TSP compared to Urea which has also affected the relative quantities in which nitrogenous and phosphate fertilizers have been applied to the soil. This distortion in the nutritional mix of fertilisers attributed to the relatively higher rise in the price of TSP has had an adverse affect in not just land productivity but the fertility of the soil (IRBD 1995). Therefore, the recent increase in TSP price will aggravate the already existing imbalance in fertilizers use and perpetuate the adverse effect on soil fertility which will impact on crop yield in the coming years.

The increase in fertilizer price in February may not affect fertilizer use in the FY2001-02 *Rabi* season due to some technical reasons. TSP is used as a basal fertilizer (before transplanting or sowing a crop) not for top dressing (i.e., after establishment of the crop). By mid-February most of the fertilizer intensive crops (Potato, Vegetables, Wheat, and *Boro* rice) are either sown or planted. After mid-February normally, less than 10% of the *Boro* rice area is planted. Significantly the performance of the *Aus* and *Aman* crop during this year FY2001/02 was relatively poor compared to the previous year (discussed later), so it is expected that the farmers would try to

compensate for this during the *Boro* season. Therefore, the input use level in the *boro* season may not fall drastically but the cost of production for farmers will surely go up. Thus, the rise in fertilizer prices will at this point constitute a deed weight fix, particularly on small farmers. Though the additional increase of TSP price in February will not further impact on the *Boro* and wheat crop to be harvested in FY2001-02 it will surely have a negative impact on the input use level in the Kharif 1 season crops such as *Aus* rice and jute.

Diesel Price and Irrigation: Irrigation is a necessary input for production of foodgrains. Expansion of the irrigated area by 34% during the 1990s was an important source for achieving self-sufficiency in foodgrain production in FY1999/00 and FY2000/01 (Deb, 2002). The government has increased the price of diesel by Tk. 1.50 per litre. About 10% of the irrigation engines in Dinajpur and other northern region are diesel operated. In the south-western districts (Jessore, Jhenaidah, Magura, Narail, Khulna, Bagerhat, Satkhira, Kustia, Chuadanga, Meherpur) diesel operated engines cover more than three-fourths of the irrigated *Boro* area. According to the newspaper reports, it seems that per ha cost of irrigation of diesel operated engines has increased by more than Tk. 2000.00 (*Janakantha*, February 17, 2002). This increased irrigation cost will surely have some negative effect on the cropping area for *Boro* and its production especially in the South-Western region. Most importantly, the per hectare cost of rice production during the *Boro* season is expected to be Tk. 2500.00 higher. If an average farmer produces 4.20 tons of paddy per hectare, then his additional per ton production cost will be roughly Tk. 600.00 higher than that of last year. Policy makers need to be very cautious about this, especially during fixation of procurement price for *Boro* rice. Last year's *Boro* paddy procurement price was fixed at Tk. 8.25/kg. This year it needs to be at least Tk.9.00 if the farmers are to recover the rise in their cost of production. Otherwise, as in the case of a rise in fertilizer, a rise in diesel price also be under a deed weight fix on the farmers.

Pesticide: Government is trying to promote Integrated Pest Management (IPM) techniques to minimize the use level of pesticides but the progress in this initiative is slow. No major pest attack occurred in this year. Pesticide availability was, thus not a problem. Though the reduction in the routine use of pesticide is good for the ecology and environment pesticide use level would not be less than last year.

Agricultural Credit: Disbursement of agriculture credit is essential to augment the cash needs particularly at a time of rising input price for farmers. This year the government has set a target of distributing more agricultural loans. It may be noted that disbursement of agricultural credit in 2000/01 was 2188 crore taka.

III. PRODUCTION, PROCUREMENT AND FOOD STOCK SITUATION

Production scenario

Following a bumper harvest of major food grains (Rice and Wheat) for two consecutive years (FY1999/00 and FY2000/01), it seems that the situation of food grain production is less propitious in FY2001/02. In FY2000-01, the production of *Aus, Aman* and *Boro* rice was 1.9, 11.2 and 11.9 million tons, respectively. Production of *Aus, Aman* and *Boro* rice in FY1999-00 was 1.7, 10.3 and 11.0 million tons, respectively. Production of wheat was 1.7 million metric tons in FY2000-01 against 1.8 million metric tons in FY1999/00.

Aus Production: This year's (2001/2002) production of *Aus* rice is estimated at 1.808 million metric ton, which is 2 % lower than the target and 6% less than previous year's production. The area under *Aus* rice was also 6% lower than the previous year. Decrease in the *Aus* area was partly due to the increase in the Jute area by 4% (Table 2).

Aman Production: Bangladesh Bureau of Statistics has not yet finalized the level of the total *Aman* rice output harvested in November/December 2001 which is expected to be about 10.86 million metric tons. This would be about 6 percent lower than the production target and 3% lower than the previous year's production. On the other hand, Bangladesh harvested a record 26.76 million tons of foodgrains (25.08 million tons rice; 1.67 million metric ton wheat) in 2000/01, an increase of 7.4 percent over 1999/00 (Table 2). It may be mentioned here that Aman provides about 45 percent of Bangladesh's annual rice production.

TABLE 2: AREA (000 HA), PRODUCTION ('000 T) AND YIELD (KG/HA) OF FOODGRAINS

Crop	1999/00			2000/01			2001/02 (Target)			2001/02 (Projection)*		
	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production	Area	Yield	Production
Aus Local	912	1.03	936	859	1.14	981	900	1.00	900	793	1.14	905
Aus HYV	439	1.82	798	466	2.01	935	500	1.80	900	450	2.01	903
Aus Total	1351	1.28	1734	1325	1.45	1916	1400	1.29	1800	1242	1.46	1808
B.*Aman*	775	1.11	858	770	1.25	963	775	1.20	930	750	1.06	796
T.*Aman* Total	4931	1.92	9448	4940	0.82	4042	5050	2.13	10750	5050	1.99	10064
T. *Aman* Local	2170	1.48	3202	2144	1.56	3348	1900	1.36	2600	1900	1.37	2600
T.*Aman* HYV	2761	2.26	6246	2797	0.25	694	3150	2.58	8150	3150	2.37	7464
Aman Total	5705	1.81	10306	5710	1.97	11249	5825	2.01	11680	5800	1.87	10860
Boro Local	227	1.57	356	202	1.82	367	225	1.27	286	215	1.27	273
Boro HYV	3425	3.12	10671	3560	3.25	11554	3625	3.42	12400	3443	3.29	11317
Boro Total	3652	3.02	11027	3762	3.17	11921	3850	3.30	12686	3658	3.19	11590
Rice Total	10709	2.15	23067	10797	2.32	25085	11075	2.36	26166	10700	2.29	24258
Wheat	832	2.21	1840	773	2.17	1673	800	2.31	1850	725	2.15	1559
Total Foodgrain	11541		24907	11570		26759	11875		28016	11425		25818

Note: * Figures related to Local *Aus*, HYV *Aus* and Total *Aus* are actual area, production and yield.

Target figures were obtained from DAE. These figures slightly differs from that of Food Misistry. Specifically, Aus, *Aman* and *Boro* production target in Food Ministry data (as reported in Table 1) were 1840, 11550 and 12690 thousand metric tons, respectively.

Source: Bangladesh Bureau of Statistics for 1999/00 and 2000/01 data. DAE for 2001/02 target data. Projections are made by the author.

Early-season drought is one of the major causes of the reduced production of *Aman*. During June-August, 2001 drought stress prevailed in the Northern and Western districts, which account for roughly 62 percent of the *Aman* crop. This has resulted in delayed planting of seedling whilst the seedling age was also higher than normal. Rains in mid-August to early September eased the situation by allowing transplanting to continue up to early September. This period is three weeks longer than the normal planting season. Though abundant October rains have greatly assisted vegetative growth, the rains were unable to completely offset the slow start suffered by more than 50 percent of the *Aman* crop due to the early – season drought. Surplus rain in October and November negatively affected crops planted at the right time earlier in the season.

Boro Production: The general trend in *Boro* cultivation shows that when the yield for the *Aus* and *Aman* rice is unsatisfactory then the *Boro* crop provide a compensatory higher yield because of the special efforts by the farmers and the government. This year's situation appears to represent in departure from the norm. The increase in diesel price has had a negative effect on irrigation while the fertilizer price is also higher than the previous year. The development could surely have a negative impact on the *Boro* acreage and subsequently on production. Moreover, planting has been delayed due to the prolonging of the *Aman* season as a result of rain in October and November. Delayed planting usually reduce crop yield significantly, but this is unlikely to happen for *Boro* rice. This is because of the fact that most of the improved *Boro* varieties are also recommended for cultivation in the *Aus* season. Farmers can't grow both *Boro* and *Aus* rice in the same plot. Indeed, some experts identify these two seasons together as *Braus*. Due to this technical reason, the crop yield for this year's *Boro* may remain the same. However, the targeted area under the *Boro* crop is unlikely to be achieved. Until mid-February, the *Boro* area (2.83 million ha) actually planted was less than 75% of the target area (3.85 million ha). Though the *Boro* crop can be transplanted upto the first week of March, usually only 10-15 percent of the target area is planted after mid-February. Since this year's situation is different, due to the poorer *Aus* and *Aman* harvests in season and due to the prolonged *Aman* season, one can expect an additional 20 percent of the target area may be brought under *Boro* rice after mid-February. Therefore, most likely, the area to be covered by *Boro* would be around 95% of the targeted *Boro* area. As a result, the

expected *Boro* area this year would be 3.66 million hectare, which is 5% less than the *Boro* target area and roughly 2.5% lower than last year's achieved area. Allowing from the same level of yield as last year (average *Boro* yield of 3.17 metric ton clean rice/ha), total *Boro* production is expected to be 11.59 million metric ton, i.e., 2.8% lower production than last year's *Boro* production. If 90% of the *Boro* target area is achieved instead of optimistic 95% achievement then *Boro* production will be 10.984 million metric tons.

Wheat: As mentioned earlier, due to unusual rain in October and November, the *Aman* season was prolonged for some days which have reduced the turn around time between the *Aman* harvest and wheat sowing. This has delayed wheat sowing this year and is expected to reduce the acreage under wheat. Late sowing of wheat is also expected to reduce the yield of the wheat crop. Data obtained from the *Directorate of Agricultural Extension* (DAE) indicates that the wheat acreage in FY2001-02 would be 0.725 million hectares which is 10% lower than the wheat target area (0.8 million ha) and 7% lower than last year's (FY2000-01) wheat area. Therefore, it is likely that wheat production will be 1.559 million metric tons (estimated at a yield rate of 2.15 ton/ha). It may be recalled that the area and production (1.673 million metric tons) of wheat in FY2000-01 was 7.2 and 9.1% lower than for FY1999/00. Thus, it seems that the present year's production is expected to be 15% lower than that of 1999/00 (1.84 million ton).

Total Production of Rice and Wheat: On the basis of the above-mentioned projections and the actual data, it seems that this year's total foodgrain production will be around 25.817 million metric tons, comprising 24.258 million tons of rice and 1.559 million tons of wheat. This may again be compared to the target of 28.016 million metric tons set for FY2002 and the realized output of 26.759 million metric tons in FY2001. The estimated production of foodgrain in FY2002 is thus expected to be 3.5% below the previous year. This is for the first time that an absolute contraction in food production is likely to be recorded since FY1995.

We may accordingly estimate food production in FY2002 after deducting 10% for seed, feed and wastage, Net Domestic Production, available for consumption, is likely to be 23.235 million metric tons. Even though this year production is 3.5-5.8% lower

than last year's production it is 819 thousand metric tons higher than production in 1999/00 and is expected to be 1.215 million higher than our estimated domestic requirement (22.02 million tons). It may be recalled that 1999/00 was the year when Bangladesh for the first time achieved self-sufficiency in foodgrain production. Therefore, though the foodgrain production situation is somewhat bleaker than last year it is not likely to adversely impact on food security because self-sufficiency in food production is also going to be achieved this year.

Food procurement

The procurement target for rice and wheat in FY2001/02 has been set at 300 thousand and 700 thousand metric tons, respectively. During the July, 2001-January, 2002 period, 276.6 thousand metric tons of rice and 33.6 thousand metric tons of wheat have already been procured. Rice procurement, at least, appears to be well in target. The procurement price of *Aman* rice was set at Tk.12.50/kg for clean rice and Tk.8.00/kg for coarse rice. 822,837 tons of rice was procured in 2000/01 and 756,468 in 1999/00. Procurement of wheat during the last two years was 265 thousand and 211 thousand metric tons, respectively. Procurement price of *Boro* paddy during FY2000/01 was Tk.8.25/kg and that of rice was Tk.13.00/kg.

It may be mentioned here that in 1999 and 2000, the *Boro* procurement target was originally fixed at 400 thousand metric tons. In both these years, the targets were revised upward and actual procurement was 604 thousand metric tons in 1999 and 600 thousand metric tons in 2000. In 1999, *Aman* procurement was 235 thousand metric tons, mainly due to a good *Aman* harvest and ample market supplies.

Distribution of foodgrain

The government distributes mainly rice and wheat under the *Public Foodgrain Distribution System* (PDFS). There are two main channels of public foodgrain distribution: Monetized distribution through sales channels such as Essential Priority (EP), other priority (OP), Large Employee Industries (LEI), Flour Mill (FM), Open Market Sale (OMS), Fair Price Card (FPC); and Non-Monetized (targeted) channels, i.e., Food for Works (FFW), Test Relief (TR), Gratuitous Relief (GR), Vulnerable

Group Development (VGD), Vulnerable Group Feeding (VGF), Food for Education (FFE) and other relief channels.

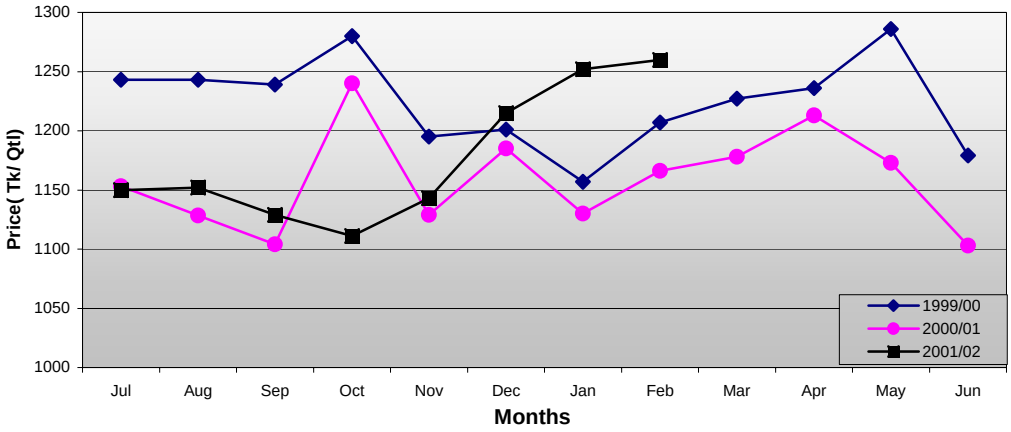
During July, 2001-January, 2002, the total off-take of rice and wheat was 200.5 thousand metric tons and 276.8 thousand metric tons, respectively. In 2000/01, public distribution of rice by the government amounted to 983,694 tons which was about 20 percent higher than for 1999/00. Bumper production of *Aman* and *Boro* crops resulted in record rice stocks in the hands of farmers and traders in 2000/01 and the government did not go for any import of foodgrain. Therefore, government rice stocks fell from 562,000 tons in 1999/00 to 422,000 tons in 2000/01. Government rice stocks at the end of January, 2002 were 491.1 thousand metric tons and that of wheat was 586.6 thousand metric tons. Thus, the total foodgrain stock of the government at the end of January, 2002 was 1077.7 thousand metric tons.

IV. OUTPUT PRICES

Domestic prices

Usually in July, the *Aus* crop is harvested. Thereafter, the price of rice generally declines in August and September and then again increases to some extent in October and November prior to the harvest of *Aman* rice. This period of potential scarcity is traditionally known as *Mora Kartik*. After the harvest of the *Aman* crop, rice prices generally decline and continues to be low upto March and then again rise slightly before the *Boro* harvest rice in April-May. At the beginning of FY2001/02 (i.e., July 2001) the price of coarse rice was comparable to the previous year's price. In July 2001, the average wholesale price of coarse rice was Tk. 1150 per quintal, compared to Tk. 1153 per quintal in July 2000 (Figure 1). But the price of rice remained unchanged in August 2001, instead of the traditional pattern of decline in August. During September-November, the 2001 price of rice was lower than the rice price in July-August 2001 but was slightly higher (Tk.25-50 per quintal) than last year's price. This was due to the poorer harvest of *Aus*. Instead of rice prices showing some signs of decrease in the wake of the *Aman* harvest during December and January of FY2002, it increased to Tk. 1215 and Tk. 1252/quintal, respectively. The wholesale price of coarse rice on February 7, 2002 stand at Tk. 1260/quintal. This may be compared to a price of Tk.1166/ quintal recorded in February 2001.

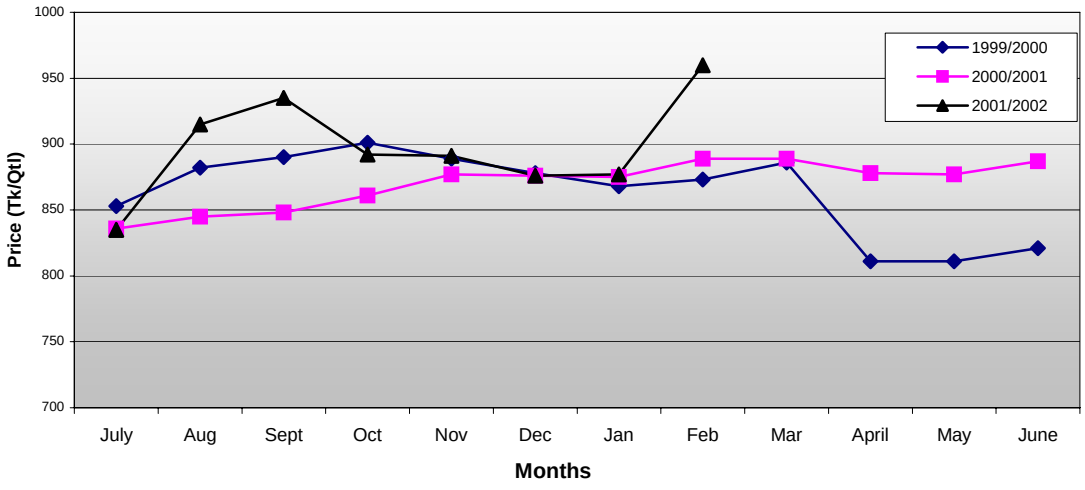
Figure 1. Average Wholesale Price of Coarse Rice, 1999/2000 to 2001/2002.



This increase in rice price has different implications for producers and consumers. Farmers were able, to some extent, to minimize the effect of yield loss through realising a higher rice price than usual. It may be noted here that in Bangladesh, the price of rice has increased at a much lower rate than other agricultural prices because of three factors: (a) the growth of production of rice was faster than for population growth, (b) cost-reducing technological progress (the unit cost of production of modern varieties is about 20 percent lower than that of the traditional varieties), and (c) the absolute per capita consumption at a level which is one of the highest in the world (Hossain, 2001).

Price of wheat is also higher this year. Per quintal wholesale price of wheat is about 20 taka higher than last year (Figure 2).

Figure 2. Average Wholesale Price of Wheat, 1999/2000 - 2001/2002



International prices[1]

Thai export prices for most grades of Thailand's regular milled rice have increased by almost $25 per ton since early-November, 2001. This is the outcome of a tight supply situation in Vietnam and Pakistan, intervention purchases by the Thai Government, and large purchases by Middle Eastern countries. Quotes for high-quality Thai white rice (100-percent, Grade B, f.o.b. Bangkok) were reported at $199 per ton for the week ending February 4/2002, up about $6 from a month earlier and $25 higher than early November. These prices are the highest since July 2000. Prices for 5-percent regular milled white rice "quoted at $194 per ton" are up $6 from a month earlier and $25 higher than early November.

Prices for Thailand's parboiled rice (5-percent brokens) were quoted at $195 per ton for the week ending February 4, up $6 from a month earlier but about $5 below prices quoted in late November and early December. Prices have dropped substantially since October due to strong competition from India. India has been a major competitor in the global parboiled market since May when the government began subsidizing parboiled exports.

Prices for lower quality rice have increased at a slower rate than for higher quality grades. Prices for Thai 35-percent brokens were quoted at $155 per ton for the week ending February 5, up $5 from a month earlier and almost $15 higher than early November. Prices for Thai A.1 Special 100-percent brokens were quoted at $145 per ton, up nearly $10 from both a month earlier and in early November. In addition to parboiled rice, India has been subsidizing exports of "low quality" rice, primarily to Sub-Saharan Africa.

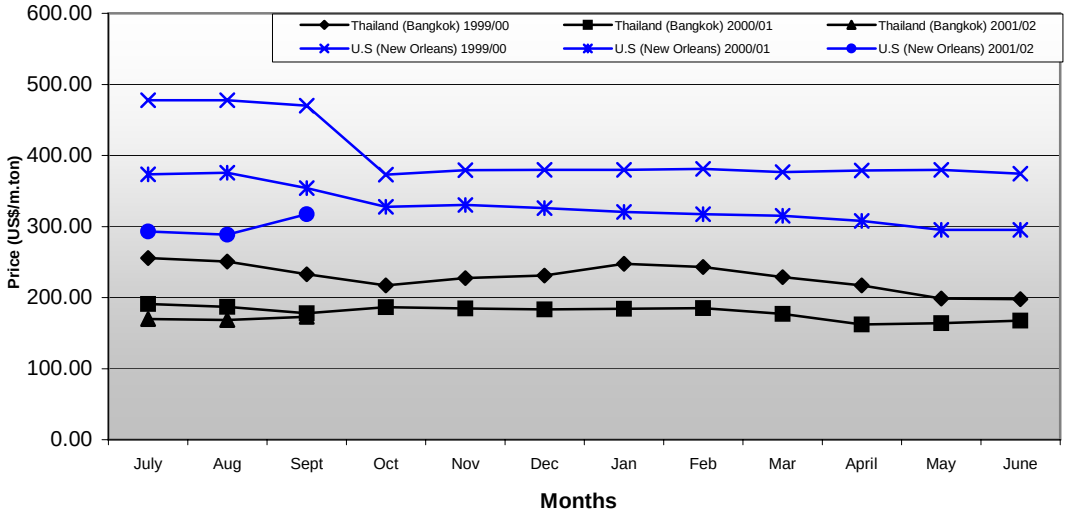
Prices for Vietnam's regular milled white rice rose more than $25 per ton from September through early January. Prices for Vietnams 5-percent brokens (f.o.b. Ho Chi Minh City) were reported at $199 per ton for the week ending January 8, up $26 from early September. However, since mid-January, Vietnam’s prices have declined about $10 per ton as exporters are discounting prices for shipments after the harvest of the country's winter-spring crop.

[1] This section draws substantively from Oryza market website.

International rice prices declined through most of FY2000/01, falling from US$ 183 dollars per ton in June, 2000 to February, 2001, however, prices for the same quality of rice were stable at around US$173 and during March-May, 2001, average prices went down further to US$ 158 per metric ton. Price of Thai 15 percent broken rice (FOB-Bangkok) for June, 2001 was US$ 161 per metric ton (Figure 3).

International rice prices will continue to show stability from February, 2002 onwards due to good harvests in India, Thailand and Myanmar. During the last Kharif 2 (*Aman* season) Indian production is estimated at 76 million metric tons which is 2 million metric tons higher than last year and only 3 lakh metric tons lower than the highest Kharif rice production in Indian history in 1999/00. Production of Vietnam's winter season rice is expected to be higher than last year. Production in Thailand and Myanmar is also good.

Figure 3. Price of Rice at the International Markets, 1999/00-2001/02.



V. IMPORT OF RICE AND WHEAT

Rice imports

This year (until January, 2002), Bangladesh government has not imported foodgrains on a commercial basis. The Bangladesh government also did not import any food grains on a commercial basis in 2000/01. Of the total of 1562,000 tons of rice imports, 529,000 tons were imported commercially by private importers whilst 33,000 tons came in on concessional terms. India was the major source of commercial imports (284,500 tons); other commercial import came from Thailand, Pakistan, and Vietnam.

In spite of consecutive favorable harvests and government measures to discourage rice imports, imports in 2000/01 were 23 percent higher than in 1999/00. (Source: Oryza Market website). Private sector imports of rice decreased in calendar year 2000 mainly because of increased rice production and lower domestic prices. Private sector wheat imports have, however, continued since wheat production is not enough to meet domestic consumption demand. Private sector imports of foodgrain for FY2001/02 are projected at 1.0 million metric tons (700 thousand metric tons of wheat and 300 thousand metric tons of rice).

During July, 2001-January, 2002, Bangladesh received 1.9 thousand metric tons of rice and 393.00 thousand metric tons of wheat as food aid. Total food aid for FY2000/01 was budgeted at 600 thousand metric tons. Total food aid arrivals by June 30, 2001 were 491 thousand metric tons. Delayed shipment of 75 thousand metric tons of Canadian wheat were expected to arrive in August 2001. Out of these 491 thousand metric tons of food aid, scheduled to arrive in FY2000/01, was distributed between of wheat and rice to the extent of 459 thousand and 32 thousand metric tons respectively. The budgeted food aid for FY2001/02 is 575 thousand metric tons of wheat, which includes 75 thousand m.tons of Canadian wheat, originally planned for arrival in FY2000/01.

Given the satisfactory public stock situation, there were no GOB commercial imports of foodgrain in FY2000/01. On the other hand, the private sector importers brought in 1062 thousand metric tons of foodgrain during FY2000/01, of which the quantity of wheat and rice were 534 thousand metric tons and 528 thousand metric tons respectively.

Border trade

Reports published in the *Daily Janakantha* (dated: January 31, 2002 and February 10, 2002) indicate that rice traders are importing rice @2000 metric tons per day from Myanmar without paying 5% import tax (approximately Tk.295/m.ton). According to the report, this continued throughout the month of January 2002 and at least the first 10 days of February, 2002. The news stated that the government is unofficially allowing this in order to combat the increasing price of rice in recent months

(December 2001, onwards) even though lost revenue income from such rice imports tax amounts to Tk. 20 million. The news paper argued that importing rice through illegal channel is not bringing down the price because the traders have to pay bribes to the corrupt officials, border security forces and *tolls* to different parties. A follow-up news published on February 11, 2002 states that after the publication of the news in the *Daily Janakantha* black market traders were under heavy pressure from the customs officials and paid tax amounting Tk. 29,548 on February 10, 2001 on 100 metric ton of rice imports for that day. On the other hand, traders continued to import rice through the black market at night by paying bribes to the border security agencies.

Projected food balance sheet for FY2001-02

The projected food balance sheet is presented in Table 3. Requirement of foodgrain (@465 gm/capita/day) for 133 million people in this year is 22.02 million metric tons. Net domestic production of foodgrain is expected to be 23.235 million metric tons. Thus, the food production surplus is expected to be 1.215 million metric tons. Until January, 2002, total food imports included 394.8 thousand metric tons as food aid but no commercial import by the public sector. The quantity of rice and wheat import up to January, 2002 were 1.9 and 393.0 thousand metric tons, respectively. Public Food stock at the end of January, 2002 amounted 1.077 million metric tons, comprising 491 thousand metric tons of rice and 586.6 thousand metric tons of wheat. Considering the production and price scenario in other countries, one can expect that the target of importing 1 million tons of foodgrain (300 thousand tons of rice and 700 thousand tons of wheat) by the private sector will be realised.

TABLE 3. PROJECTED FOODGRAIN BALANCE SHEET FOR FY2001/02

(*All Foodgrain Quantities Are In 000 Tons*)

Description	Budget			Projection 1			Projection 2		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
1. Gross Domestic Production	26080	1850	27930	23652	1559	25211	24258	1559	25817
2. Net Production of Foodgrain	23472	1665	25137	21286.8	1403.1	22689.9	21832.2	1403.1	23235.3
3. Population (000)	133000	133000	133000	133000	133000	133000	133000	133000	133000
4. Total Foodgrain Requirement @ 465gm (16.4 oz/capita/day)			22020			22020			22020
5. Food gap (4-2)			(3117)			(669.9)			(1215.3)
6. Off-take	779	982	1761	806	985.2	1791.2	806	985.2	1791.2
a. Realised offtake (Jul, 2001-Jan, 2002)				200.5	276.8	477.3	200.5	276.8	477.3
b. Projected off-take (Jan, 2002-Jun, 2002)				605.5	708.4	1313.9	605.5	708.4	1313.9
7. Internal Procurement	300	700	1000	700	300	1000	700	300	1000
a. Realised Procurement (Jul, 2001-Jan, 2002)				276.6	33.6	310.2	276.6	33.6	310.2
b. Projected Procurement (Jan, 2002-Jun, 2002)				423.4	266.4	689.8	423.4	266.4	689.8
8. Total Availability (2+6-7)	23951	1947	25898	21392.8	2088.3	23481.1	21938.2	2088.3	24026.5
9. Per Capita Daily Availability (gm)			533			484			495
10. Opening Stock									
a. Public	422	445	867	422	445	867	422	445	867
b. Private									
11. Imports	450	1475	1925	451.9	1475	1926.9	451.9	1475	1926.9
a. Aided Import	0	575	575	1.9	575	576.9	1.9	575	576.9
Realised Aid (July, 2001-Jan, 2002)				1.9	393	394.9	1.9	393	394.9
Projected Aid (Feb, 2002-Jun, 2002)				0	182	182	0	182	182
b. Government commercial imports	150	200	350	150	200	350	150	200	350
Realised Com. Imp.(July, 2001-Jan, 2002)				0	0	0	0	0	0
Projected Com. Imp. (Feb, 2002-Jun, 2002)				150	200	350	150	200	350
c. Private sector imports	300	700	1000	300	700	1000	300	700	1000
12. Closing Stock									
a. Government	467.4	519.3	986.7	467.9	534.8	1002.7	467.9	534.8	1002.7
b. Private									
13. Total Foodgrains Available for Consumption (2+10+11-12)	24344	3585	27929	22161	3323	25484	22706	3323	26029
14. Per Capita Daily Intake (gm)	501	74	575	456	68	525	468	68	536
15. Shortfall in Availability (4-13)			(5909)			(3464)			(4009)
(4-8)			(3878)			(1461)			(2007)

Note: Bracket indicates surplus in food.

VI. CONCLUDING REMARKS

The food grain production situation this year is poorer than last year. The target of producing 27.93 million metric tons of total food grain would thus, not be achieved. Production would at most reach 25.817 million metric tons and could be as low as 25.211 million metric tons, which is 7.5-9.7 % less than the targeted production and 3.5-5.8% less than last year's production. Therefore, net domestic production will be between 23.235 and 22.689 million tons. This year's production would be 303 - 910 thousand metric tons higher than production of 1999/00, the year we first achieved self-sufficiency in food. This year's food surplus would thus amount to 0.670-1.25 million metric tons. Notwithstanding the short fall in production, the situation is not too alarming though the Government has to react cautiously this year particularly when foodgrain production growth is negative. Newspaper reports suggest that the government is encouraging imports through legal and illegal channels which is not an appropriate response step. The government has to procure *Boro* rice and wheat at a higher price but must reduce its procurement target for *Boro* and wheat. The procurement price of *Boro* paddy should be increased from Tk.8.25/kg to Tk. 9.00/kg. Wheat procurement price should be increased to Tk. 9.00/kg. Government has to carefully plan for the coming T.*Aman* season and take positive steps for realising a strong harvest in the B.*Aman* season. Promotion of newly released HYV Broadcast *Aman* variety should be undertaken. This variety yields 0.5 tons higher per hectare compared to the traditional B.*Aman* rice varieties. Seed availability of this variety in large quantities may, however, be a problem. The government should prepare a plan for the next T.*Aman* season. Seed availability of early varieties (BR30, BR31, BR32, BR33 and BR33) and late varieties (BR23, BR22, Binasail) need to be made available to farmers in large quantities. Availability of seeds of early varieties will ensure realisation of the higher target. In case of floods, the government would have to provide seeds for late varieties. Measures for seed availability for the late varieties will thus help to compensate for any adverse situation, if such occurs. The government has to take the risk of increasing the *Boro* paddy procurement price by Tk.1.00-1.50/kg to ensure adequate incentive in a year when production costs have risen. This is likely to lead to an increase in rice price in the range of Tk.1.50-2.25/kg which may not be appreciated by net buyers of rice. But without ensuring sufficient incentive for producers through allowing for a slight price increase to consumers, they

may have to buy rice at a much higher price due to a further decline of rice production next year. For the moment, the government need not import rice by overreacting to the slight price increase in rice. We expect *Boro* production to be low but higher than 1999/00. If we observe an early signal that *Aus* production in FY2002-03 would also be low, then the government may resort to commercial imports of rice. The government may thus continue with its present food import policy and should not aim to reduce the import duty on rice or the 25% LC margin requirement for rice import. This will mitigate the risk of rice prices going beyond control.

During the last five years the government played a quite positive and commendable role in sustaining the rise in food production. The government must continue to play an important role in ensuring sufficient supply of quality inputs. It may be mentioned here that the government need not expand its commercial efforts in this regard. The government should rather strengthen its monitoring, supervision and facilitating role as it had done in recent years. Government will need to continue to monitoring the performance of dealers in supplying fertilizer in a non-partisan manner. Government must accordingly aim to curb the rent-seeking behaviour of greedy traders who periodically seek to create an "artificial crisis" taking appropriate and prompt action when called for. The government can also strengthen the partnership between research institutes, NGOs and private sector for ensuring quality rice seed for better harvest next year.□

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