

Fortnightly Foodgrain Outlook

Issue No. 2

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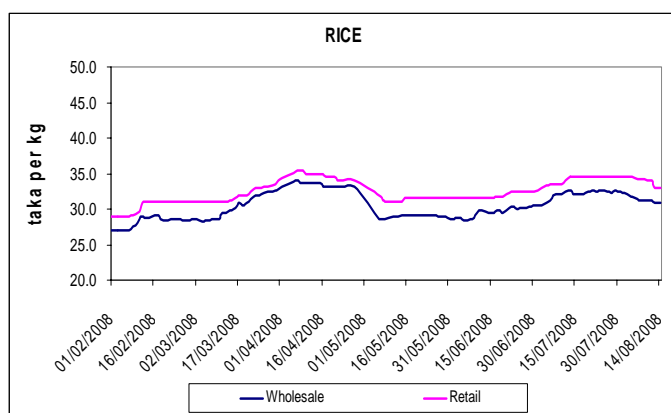
HIGHLIGHTS

- ❖ Domestic prices of rice continued declining over the past two weeks, reflecting improved supply on markets in a context of good progress in Aus harvesting and Aman planting coupled with downward pressures on international prices.
- ❖ The rice price decrease is unusual for this period of the year. It indicates that the large private stocks built over the past months are being released. This might continue over the coming weeks if positive domestic and international prospects are confirmed.
- ❖ International prices of Thai 5% parboiled rice recorded a 4% decrease in the second week of August, whilst prices of Thai 100% parboiled have been steadily decreasing since July. International prices of wheat (HRW) recorded a slight decrease in the first week of August.
- ❖ Though some private imports of rice took place during the first two weeks of August, rice imports remain driven by public commercial imports. Wheat imports resumed, totaling 93.4 thousand MT as of 15 August.
- ❖ Total Boro procurement was about 736 thousand MT (53% of the target) as of 17 August, compared to about 662 thousand MT (55% of target) on the same date last year. To boost procurement performance, a premium of 1.25 Tk/Kg over the procurement price (28 Tk/Kg) is being granted to millers who have been supplying parboiled rice against 'repeat orders'. A possible extension of the timeframe for the Boro procurement program is also under consideration.
- ❖ Total foodgrain distribution during 1-14 August reached about 18 thousand MT, representing about 10% of the distribution planned for the month. The Open Market Sales (OMS) program started on 20 August. About 243 thousand MT of rice are planned to be distributed till 31 October. Rice is being sold to consumers at a price of 28 Tk/Kg (equivalent to the procurement price) and supplied to authorized dealers at a price of 26.5 Tk/Kg. Bangladesh Rifles also started selling rice under the program.

*Food Planning and Monitoring Unit (FPMU), Ministry of Food and Disaster Management
in collaboration with FAO National Food Policy Capacity Strengthening Programme (NFPCSP)*

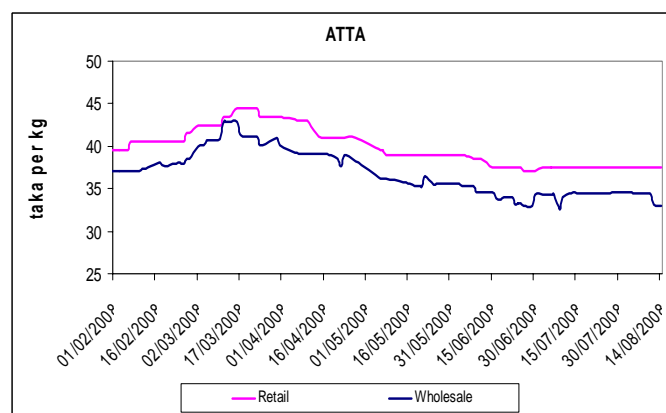
1. Domestic prices: coarse rice and atta

Figure 1. Change in prices of Coarse Rice (Dhaka)



Source: DAM

Figure 2. Changes in prices of Atta (Dhaka)



Source: DAM

Table 1. Price change over the past two weeks

	Price on 31/07/08 (Tk/Kg)	Price on 14/08/08 (Tk/Kg)	% change
RICE			
retail	34.50	33.00	-4.35
wholesale	32.43	30.82	-4.97
ATTA			
retail	37.50	37.50	0.00
wholesale	34.56	33.00	-4.51

Source: DAM

- Both retail and wholesale prices of rice (Dhaka city) decreased by more than 4% over the last two weeks. This reflects improved supply on markets, whilst Aus harvest and Aman planting are progressing well and international prices have been facing downward pressures (see Table 2).
- The rice price decrease is unusual for this period of the year. It indicates that the large private stocks built over the past months are being released. This might continue over the coming weeks if positive domestic and international prospects are confirmed.
- While wholesale prices of Atta registered a 4.51% decrease over the same period, there was no change in retail prices, which have remained at 37.50 Tk/Kg since the beginning of July.

2. International prices

Table 2. Week on week changes in international prices (wheat and rice)

Week ending	WHEAT				RICE					
	US No-2 HRW, US Gulf Port * (USD/MT)	Change	US No-2 SRW, US Gulf Port * (USD/MT)	Change	Week ending	Thai 100% Parboiled** (USD/MT)	Change	Week ending	Thai 5% Parboiled*** (USD/MT)	Change
11.07.08	332		251		09.07.08	857		07.07.08	784	
18.07.08	341	2.71%	246	-2.26%	16.07.08	865	0.93%	14.07.08	784	0.00%
25.07.08	332	-2.64%	229	-6.66%	23.07.08	867	0.23%	21.07.08	788	0.51%
01.08.08	333	0.30%	237	3.21%	30.07.08	864	-0.35%	28.07.08	799	1.40%
8.08.08 (i)	330	-0.90%	na		07.08.08	860	-0.46%	04.08.08	790	-1.13%
15.08.08	na	na	na		13.08.08	826	-3.95%	11.08.08	783	-0.89%

* Average fob price; Source: FAO, International Commodity Prices, Weekly data; and (i) International Grain Council Report

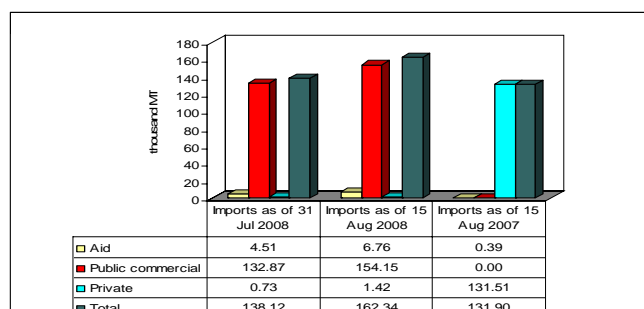
** Thai Rice Exporters Association, Parboiled rice quotes

*** Thailand Grain and Feed Weekly Rice Price Update, USDA, GAIN Report; indicative fob prices based on averaged exporter observations

- International prices of wheat (HRW) have been fluctuating since early July, with a slight decrease by 0.9% recorded in the first week of August.
- Prices of Thai 5% and 100% parboiled rice have been decreasing over the past weeks mainly as a result of the downward pressures arising from relatively cheaper Vietnamese rice and weakening of the Thai Baht against USD.

3. Imports

Figure 3. Rice imports, 1 July – 15 August 2008



Source: MIS DG Food

Figure 4. Wheat imports, 1 July – 15 August 2008

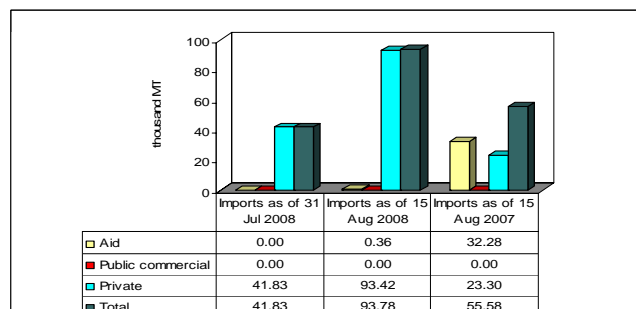


Table 3. LC situation (in '000 MT)

Period	L.C. opened		LC settled	
	Rice	Wheat	Rice	Wheat
3 - 14 August 2008	0.4	111.0	73.0	8.0
Cumulative month as of 14 August 2008	0.4	111.0	73.0	8.0
Cumulative year as of 14 August 2008	1.6	189.0	125.0	33.0

Source: Bangladesh Bank

- Total rice imports increased by 18% over the first two weeks of August amounting to about 162 thousand MT, 95% of which consisted of public commercial imports from India.
- Private imports of rice remain sluggish, totaling only 1.4 thousand MT as of 15 August, compared to about 131.5 thousand MT on the same date last year.
- Wheat imports resumed during the first two weeks of August, totaling 93.4 thousand MT as of 15 August.

Box 1. International production and market prospects 2008/09

World rice and wheat production and stocks (million MT) forecast

PRODUCTION	2006	2007	2008	Change 2008 over 2007 in %
		estimate	forecast	
Rice	438.1	438.1	444.3	1.4
Wheat	596.9	608.1	658.3	8.3

STOCKS (end of marketing season)	2006/07	2007/08	2008/09	Change 2008/09 over 2007/08 in %
		estimate	forecast	
Rice	105.6	106	105.7	-0.3
main exporters*	23.8	25.2	25.4	0.8
Wheat	160.8	151.2	168.6	11.5
main exporters*	36.6	24.8	35.0	41.0

* India, Pakistan, USA, Thailand and Vietnam; Source: FAO Crop Prospects July 2008

Wheat futures prices as of 15 August 2008 (USD/MT)

	Sep-08	Dec-08	Mar-09	May-09	Jul-09
CBOT SRW	302.9	312.0	321.1	326.8	330.2
KCBOT HRW	317.2	325.2	334.4	335.8	333.3

Weekly changes in future prices (USD/MT)

Contract Month	Weeks	CBOT SRW	KBOT HRW
SEPT08	1.08.08 - 8.08.08	-10.6	-6.8
	8.08.08 - 15.08.08	21.7	21.9
DEC08	1.08.08 - 8.08.08	-10.6	-10.4
	8.08.08 - 15.08.08	21.7	23.6
MAR09	1.08.08 - 8.08.08	-10.0	-11.4
	8.08.08 - 15.08.08	21.9	25.4
MAY09	1.08.08 - 8.08.08	-9.5	-13.2
	8.08.08 - 15.08.08	22.1	23.1
JUL09	1.08.08 - 8.08.08	-8.8	-15.1
	8.08.08 - 15.08.08	20.5	21.7

Source: U.S. Wheat Associates Weekly Price Report Conversion rates: 1USD/bu = 36.743 USD/MT

RICE

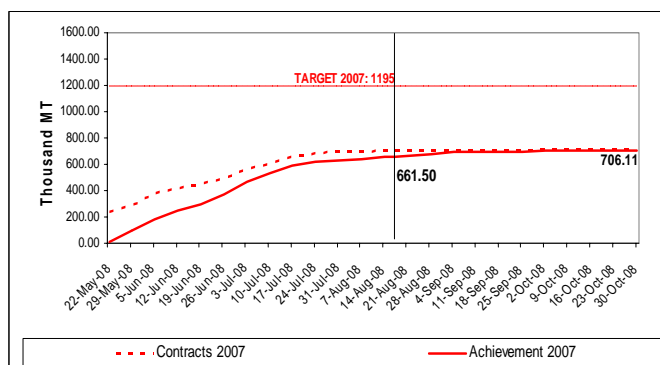
- ❖ 2008 projected global production of paddy is expected to increase by 1.4% to 666 million MT (444 million MT rice equivalent) due to expected strong production increases notably in Asia (FAO Crop Prospects July 2008).
- ❖ Despite expectations of a larger global rice crop in 2008, the forecast output would not be sufficient to cover the anticipated world consumption, which would require a slight drawdown in global rice reserves. As a result, ending stocks in 2009 may decline marginally (FAO Crop Prospects July 2008).
- ❖ Trade in rice is expected to increase slightly in 2009 after being constrained by export restrictions in 2008. The recovery would be driven by larger Indian sales, assuming that, by next year, the government would have partly relaxed the provisions limiting non-basmati rice exports (FAO Crop Prospects July 2008).
- ❖ Rice prices fell in June and early July, reflecting greater export availabilities in countries such as Thailand and Vietnam and a relatively weak import demand (FAO Crop Prospects July 2008).
- ❖ However, Thailand has been operating a government rice procurement program at exceptionally high purchase price levels of around USD 425 per ton for paddy, corresponding to about USD 650 per ton of rice. This is likely to sustain world prices in the next few months (FAO Crop Prospects July 2008).
- ❖ While Vietnamese exports have resumed after a 3-month ban, the government imposed new export tax effective 22 August only on rice priced above 800 USD/MT (source Oryza). This will sustain export price of quality rice.

WHEAT

- ❖ Strong anticipated wheat production and rebound in ending stocks (FAO Crop Prospects July 2008).
- ❖ While future prices had been eroding since 25 July, reflecting continued reports of higher global production, they shot up during the second week of August. The September delivery position for SRW at Chicago Board of Trade (CBOT) went up 21.7 USD/MT, while the position at Kansas City Board of Trade (KCBOT) for HRW rose by 21.9 USD/MT.

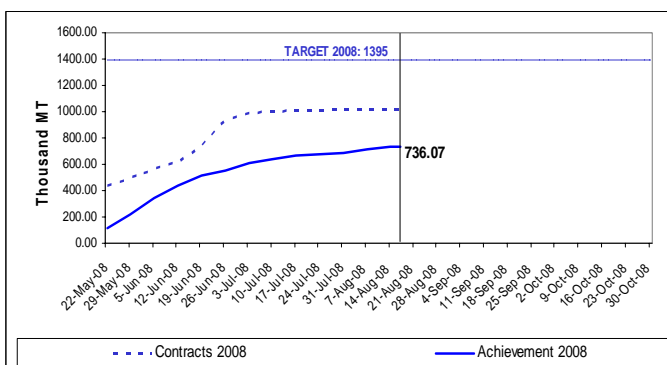
4. Public procurement and distribution

Figure 5. Internal procurement weekly progress, 2007



Source: DG Food

Figure 6. Internal procurement weekly progress, 2008



Source: DG Food

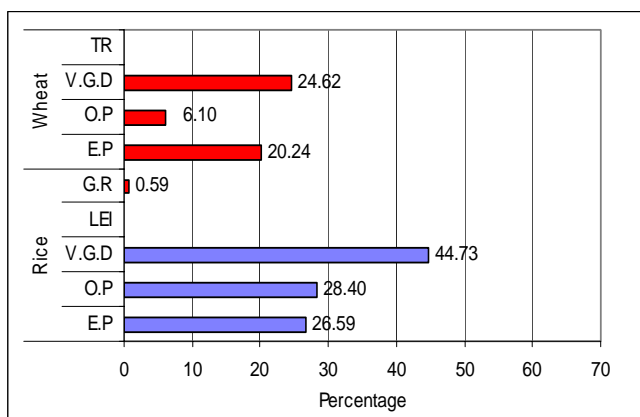
Table 4. Weekly increase in procured quantity

Week	% increase
14-17 Aug	0.75
7-14 Aug	2.80
31 Jul - 7 Aug	3.17
24-31 July	2.36
17-24 July	1.58
10-17 July	3.50
3-10 July	5.00
26 June-3 July	9.93
19-26 June	7.67
12-19 June	16.99
5-12 June	26.76
29 May- 5 June	56.45
22-29 May	87.93

PROCUREMENT

- Total procurement was about 736 thousand MT (53% of the target) as of 17 August, compared to about 662 thousand MT (55% of target) on the same date last year.
- There has been an overall slowdown in contracting and delivery since the beginning of July due to the rebound in market rice prices above the procurement price of 28 taka per kg. Rainfalls and shortages in electricity supply have also been affecting milling of paddy.
- Since August 10, the Government has also been giving a 1.25 Tk/Kg bonus to millers who have been supplying parboiled rice against 'repeat orders'.
- A possible extension of the timeframe for the Boro procurement program is also under consideration.

Figure 7. Rice and wheat distribution as of 14 August, in % of August target



Source: DG Food

DISTRIBUTION

- Total distribution planned for this year is 2.97 million MT.
- Total foodgrain distribution during 1-14 August reached about 18 thousand MT, which represents about 10% of the distribution planned for the month.
- Since the beginning of the fiscal year, about 60 thousand MT (2% of annual target) have been distributed.
- The Open Market Sales (OMS) program started on 20 August. About 243 thousand MT of rice are planned to be distributed till 31 October. Rice is being sold to consumers at a price of 28 Tk/Kg (equivalent to the procurement price) and supplied to authorized dealers at a price of 26.5 Tk/Kg. The Bangladesh Rifles (BDR) has also started selling rice under the program.