Fortnightly Foodgrain Outlook

Issue No. 42 *30 March 2010*

HIGHLIGHTS

RICE PRICE

Both retail and wholesale rice prices of Dhaka city declined over the fortnight ending March 25th by 3.6% and 1.9%, down to 26.5 Tk/kg and 24.7 Tk/kg respectively. However, these prices continue to be significantly higher than a year ago, time at which prices had plunged dramatically.

ATTA PRICE

Dhaka city atta prices, both at retail and wholesale levels remained static at 21.5 Tk/kg and 18.8 Tk/kg respectively over the fortnight ending March 25th. Both retail and wholesale prices are lower than last year at the same time, although this difference has contracted since last fortnight.

INTERNATIONAL RICE PRICE

The Thai 100% export rice price continued to decline, as it has since the end of January, over the fortnight ending March 25th, down to 543 USD/MT. The Thai 5% Parboiled price also declined in the week ending March 15th but picked up in the following week for the first time since Mid January bringing this price to 542 USD/MT. The Dhaka price stood at 357 USD/MT on March 25th. The latest available price in Kolkata is 352 USD/MT on March 18th.

INTERNATIONAL WHEAT PRICES

Both prices of US No-2 HRW wheat and US No-2 SRW wheat dropped by -2.4% and -3.7%, down to 202 USD/MT and 187 USD/MT respectively over the fortnight ending March 25th. On the same date, the Dhaka city wholesale price of wheat stood at 228 USD/MT.

RICE IMPORTS

No imports of rice took place in the fortnight ending March 25th, leaving total imports so far this financial year at 27.4 thousand MT. At the same time last year, total imports of rice amounted to 588 thousand MT, 66% of which were government commercial imports.

WHEAT IMPORTS

Wheat imports continue to be considerably higher than last year at the same time, with 2,571 thousand MT having been imported as of March 25th, 91% of which by the private sector.

PROCUREMENT

As of March 25th, 14.6 thousand MT of aman rice had been procured against 163.0 thousand MT at the same time last year or 4.9% against 81.5% of the respective targets.

PFDS

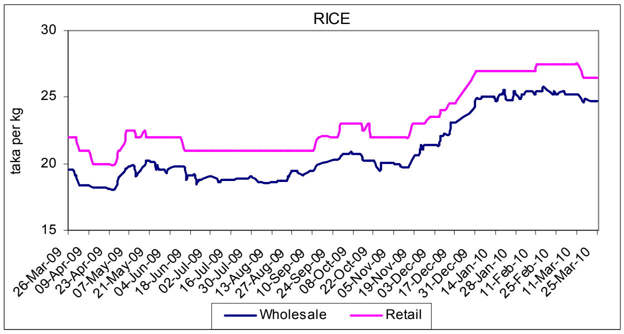
In the fortnight ending March 25th, 108.5 thousand MT of grain were distributed, mainly through the OMS channel (58 thousand MT). The rest was essentially composed of FFW (16.5 thousand MT), VGD (11.9 thousand MT), TR (10.8 thousand MT) and EP (8.9 thousand MT).

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

http://www.mofdm.gov.bd/ & http://www.nfpcsp.org/

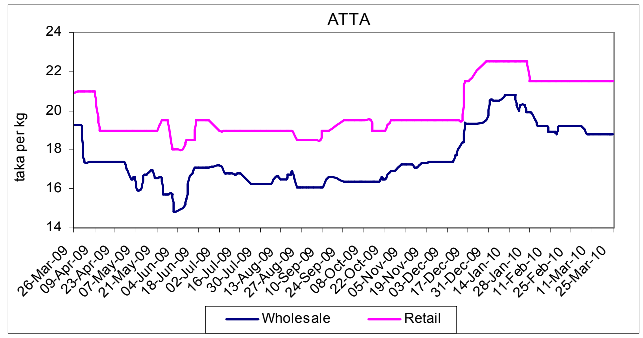
1. Domestic prices: coarse rice and atta

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



Source: DAM

Figure 2. Changes in prices of Atta (Dhaka)



Source: DAM

Table 1. Rice and atta price changes (Dhaka city)

[redacted]

Source: DAM; Arrows indicate the direction of price change: red if more than 5% rise for annual changes and 1% for monthly/fortnightly changes, green if more than 5% decrease for annual changes and 1% for monthly/fortnightly changes, yellow otherwise. The yearly change is calculated fortnight to fortnight.

- **Both retail and wholesale rice prices of Dhaka city declined over the fortnight ending March 25th, by 3.6% and 1.9%, down to 26.5 Tk/kg and 24.7 Tk/kg respectively. This is contrast with the normal seasonal pattern and may be attributed to stock release by the Government through OMS as well as by the private sector. This decline is also in line with the trend observed on international markets and with expectations of a good boro harvest. However, prices continue to be significantly higher than a year ago, when prices had plunged dramatically.**
- **Dhaka city atta prices, both at retail and wholesale level, remained static at 21.5 Tk/kg and 18.8 Tk/kg respectively over the fortnight ending March 25th. Both retail and wholesale prices are lower than last year at the same time, although this difference has contracted since last fortnight.**

2. International prices

Figure 3. Rice wholesale price in Dhaka and relevant international markets

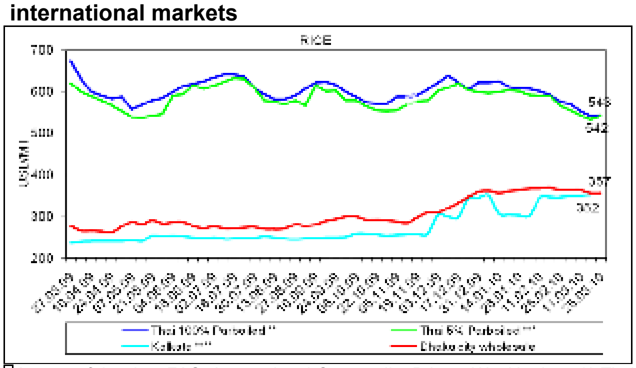
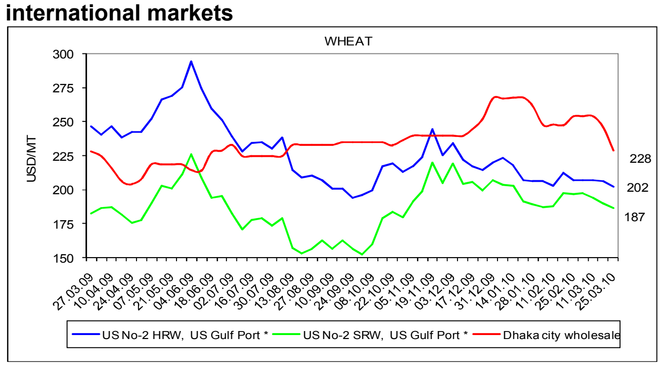


Figure 4. Wheat wholesale price in Dhaka and relevant international markets



Average fob price; FAO, International Commodity Prices, Weekly data; ** 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; **** Government of India, Ministry Of Consumer Affairs Food and Public Distribution, Department Of Consumer Affairs, Price Monitoring Cell*

- **The Thai 100% export rice price continued to decline, as it has since the end of January, over the fortnight ending March 25th, down to 543 USD/MT (-2.0%). The Thai 5% Parboiled price also declined in the week ending March 15th (-1.8%) but increased in the following week for the first time since mid-January, with an increase of 1.7% bringing this price to 542 USD/MT. The Dhaka price stood at 357 USD/MT on March 25th. The latest available price in Kolkata is 352 USD/MT on March 18th. The difference between the Dhaka price and the Kolkata price is now a mere 5USD/MT in contrast with a differential that had reached 65 USD/MT at the beginning of February.**
- **The observed price increase can be attributed to the strengthening of the Thai baht. Some exporters expect a continued strengthening of this currency which will put upward pressure on export prices. In addition, the Thai Government is aggressively implementing a direct purchase program from farmers to shore up domestic prices and planning to modify it to create more incentives for rice millers. Foreign buyers are waiting to see the outcome of the program modification before closing further deals, in the meantime they continue to buy cheaper Vietnamese rice (USDA, 23 March).**
- **Both prices of US No-2 HRW wheat and US No-2 SRW wheat dropped by -2.4% and -3.7%, down to 202 USD/MT and 187 USD/MT respectively over the fortnight ending March 25th. On the same date, the Dhaka city wholesale price of wheat stood at 228 USD/MT.**

Box 1. International production and market prospects 2009/10

Rice and wheat production, stocks and prices

[redacted]

Source: FAO Crop Prospects and Food Situation, February 2010

- A return to a normal monsoon pattern is likely to sustain a recovery of global rice production in 2010 after erratic rains hampered some 2009 crops (FAO, Feb. 10). However, this forecast may be overly optimistic given the weather experienced in March (see Rice Box).
- Prospects for the world's 2010 wheat crop remain mixed so far (FAO, Feb. 10).
- The forecast of world rice ending stocks in 2010 now stands at 123 million MT, a marginal decline from their opening level. However, rice inventories held by the five major exporting countries as a group (Thailand, Viet Nam, India, Pakistan and the United States) are forecast to register a much sharper contraction of 24% (FAO, Feb. 10).
- World wheat stocks at the close of seasons in 2010 are forecast to increase to a 7-year high. This forecast has been raised since the previous report, mostly in response to evidence that some of the last 2009 wheat crop harvests have turned out better than earlier anticipated (FAO, Feb. 10).

WHEAT

- Lack of storage facilities threatened to damage huge quantities of wheat in India's Punjab as another bumper crop is ready for harvest. 6.5 million MT are lying in the open (CommodityOnline, 25 March).
- Futures prices traded lower again this week, pushed down by a strengthening US dollar, good crop weather, and French and Russia wheat sales into Latin America and Asia, usual markets for these countries' exports. Futures market prices fell by 7.0 USD/MT (+3.9%) and 2.02 USD/MT (+3.4%) for CBOT and KBOT, respectively, in the week ending March 26th. This brought the CBOT future prices to 171 USD/MT for May and KBOT prices to 175 USD/MT (US Wheat Associates, 26 March).

RICE

- There are reports of very dry conditions in many parts of Asia, including the Philippines, Thailand and Vietnam, and some speculation that Vietnam may have as much as 2 million acres of rice at risk without getting rain very soon (US Price Producers Association, 26 March).
- Vietnam's main rice crop could be slightly higher this year, according to a government report, but official figures showed that exports dropped by nearly a third in the first quarter on thin demand (Reuters, 29 March).
- Rice prices in top exporting countries Thailand and Vietnam may fall more as the Philippines may not tender for new supplies until after national poll in May (Reuters, 12 March).
- According to market analysts, unpredictable government interventions in the rice sector is adding to volatility in a thinly traded market and could lead to new international price swings (Reuters 22 March).
- Nigeria, Africa's third-biggest rice producer, plans to boost production of the grain fourfold over the next decade to save more than USD500 million spent annually on imports (Bloomberg, 26 March).
- India has approved exports of close to 10 lakh MT of non-basmati rice in 2009-10 to neighbouring countries and some African nations on diplomatic grounds although exports of this commodity remains banned (Press Trust of India, 25 March).

Chicago Board of Trade SRW Futures (USD/MT)

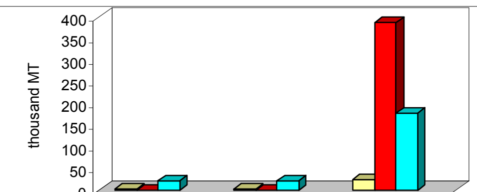
[redacted]

Kansas Board of Trade HRW Futures (USD/MT)

[redacted]

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

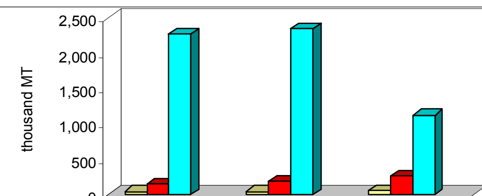
Figure 5. Rice import



	Imports as of 11 Mar 2010	Imports as of 25 Mar 2010	Imports as of 25 Mar 2009
Aid	3.6	3.6	25.7
Public commercial	0.0	0.0	385.1
Private	23.8	23.8	176.8
Total	27.4	27.4	587.6

Source: MIS DG Food

Figure 6. Wheat import



	Imports as of 11 Mar 2010	Imports as of 25 Mar 2010	Imports as of 25 Mar 2009
Aid	43.6	43.6	57.2
Public commercial	143.6	183.1	258.2
Private	2,271.6	2,344.3	1,126.3
Total	2,458.8	2,571.0	1,441.7

Source: MIS DG Food

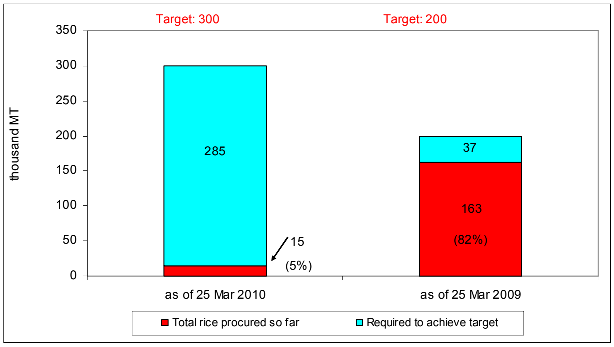
Table 2. LC situation (in '000 MT)

[redacted]

- **No imports of rice took place in the fortnight ending March 25th, leaving total imports so far this financial year at 27.4 thousand MT. At the same time last year, an exceptional year given the food price crisis, total imports of rice amounted to 588 thousand MT, 66% of which were government commercial imports.**
- **Wheat imports, on the other hand, continue to be considerably higher than last year at the same time (+78%), with 2,571 thousand MT having been imported as of March 25th, 91% of which by the private sector. Lower wheat prices on the international markets may explain this to some extent, as well as the limited aman procurement. Over the fortnight ending March 25th, a total of 112 thousand MT were imported, of which 73 thousand MT by private sources. 158 thousand MT had been imported the previous fortnight.**

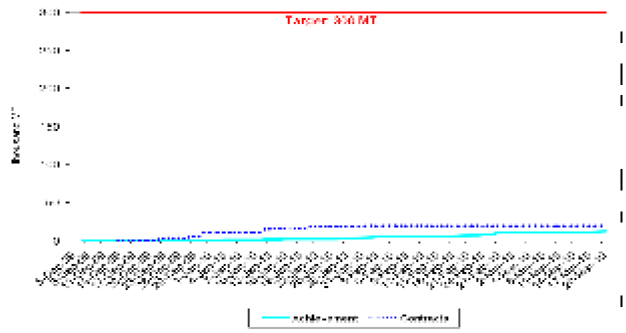
4. Aman procurement

Figure 7. Total aman procurement



Source: MIS, DG Food

Figure 8. Aman procurement progress and contracts



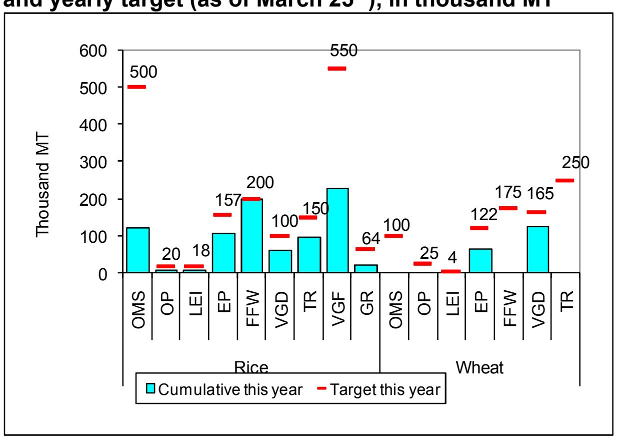
Source: MIS DG Food

PROCUREMENT

- **This season's Aman procurement began on December 7th. Although it was supposed to end on February 28th, it was later extended until the 20th of March. The procurement price of aman paddy and rice were set at Tk 14 and Tk 22, respectively. The target for aman procurement is 300 thousand MT rice equivalent (200 thousand MT rice and 150 thousand MT paddy). The target last year was 200 thousand MT.**
- **As of March 20th, 14.6 thousand MT of aman rice had been procured against 163.0 thousand MT at the same time last year. This translates into 4.9% against 81.5% of the respective targets. The achievement has remained far below the target because the market price is higher than the procurement price.**
- **The Government has announced its plan to procure 50 thousand MT of wheat from the farmers at Tk 19.50 per kg after estimating the cost of production to be 18.29 Tk/kg.**

5. Public distribution

Figure 9. Rice and wheat distributed through PFDS so far and yearly target (as of March 25th), in thousand MT



Source: DG Food and FPMU

DISTRIBUTION

- **Total distribution planned for 2009/10 is 2.68 million MT compared to 2.13 million MT achieved last year.**
- **As of March 25th, 1.149 million MT of foodgrain had been distributed which amounts to 42.3% of the annual target: 51.6% for rice and 25.0% for wheat. Last year at the same time, 53.5% of the target had been met.**
- **As of March 25th, the distribution channel that has most been used is VGF (rice) with 230 thousand MT distributed (41.8% of its target), FFW (rice) with 210 thousand MT distributed (105.% of its target), OMS (rice) with 150 thousand MT distributed (31% of its target) and VGD (wheat) with 130 thousand MT distributed (79% of its target).**
- **In the fortnight ending March 25th, 108.5 thousand MT of grain were distributed, mainly through the OMS channel (58 thousand MT). The rest was essentially composed of FFW (16.5 thousand MT), VGD (11.9 thousand MT), TR (10.8 thousand MT) and EP (8.9 thousand MT).**
- **In response to the rising prices, the Government launched Open Market Sales on January 20th, at the rate of 22 Tk/kg in Dhaka city as well as in Narayanganj, Narsingdi and Gazipur districts.**
- **The government introduced fair price cards for 22.25 lakh ultra poor families across the country. Under this program, listed ultra poor families not receiving support under any other safety net receive 20 kg of rice per month. The program has begun on February 25th with 129,322 cards and 667 MT distributed as of March 29th under this channel.**