Fortnightly Foodgrain Outlook

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HIGHLIGHTS

RICE PRICE

Dhaka city wholesale prices increased by 2.1%, up to 26.0Tk/kg, in the fortnight ending June 3rd, while retail rice prices of remained constant at 27.5 Tk/kg. Prices continue to be significantly higher than a year ago, 24% and 31%, respectively, when prices had plunged dramatically.

ATTA PRICE

In the same period, the retail and wholesale atta prices of Dhaka city remained overall stationary at 22.0 Tk/kg and 19.1 Tk/kg respectively. These prices are 16% and 21% above prices a year ago, which compares to a 8.8% inflation rate in March (the last available data point).

INTERNATIONAL RICE PRICE

The decline of the Thai 100% and 5% parboiled export rice prices observed since end of January continued over the fortnight ending June 3rd, with a drop of 0.3% and 4.2%, down to 461 USD/MT and 452 USD/MT respectively. The Dhaka price stood at 375 USD/MT on June 3rd. The latest available price in Kolkata was 363 USD/MT on May 20th.

INTERNATIONAL WHEAT PRICES

Over the the fortnight ending June 3rd, the prices of US No-2 HRW wheat fell by 1.1%, down to188 USD/MT, while prices of US No-2 SRW rose a little by 0.3%, up to 183 USD/MT. On this same date, the Dhaka city wholesale price of wheat stood at 236 USD/MT.

RICE IMPORTS

In the fortnight ending June 3rd, no rice was imported, leaving total imports so far this financial year to 65.6 thousand MT. At the same time last year, an exceptional year given the food price crisis, total imports of rice amounted to 600 thousand MT, 64% of which were government commercial imports.

WHEAT IMPORTS

Wheat imports continue to be considerably higher than last year at the same time (+36%), with 3,257 thousand MT having been imported as of June 3rd, 85% of which by the private sector.

BORO PROCUREMENT

As of June 3rd, 125.4 thousand MT of Boro rice had been procured against 287.0 thousand MT at the same period last year, which is 11.9% and 28.7% of the respective targets.

PFDS

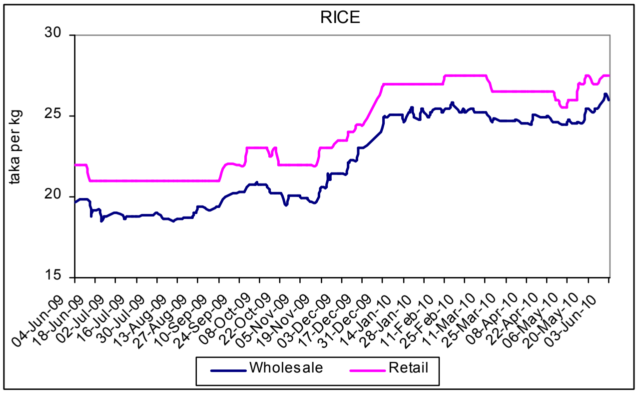
Over the fortnight ending May 27th, 44.9 thousand MT of grain were distributed, mainly through the FFW channel (10.4 thousand MT). The rest was essentially composed of VGD and EP. In the same period, 4,673 MT of rice were sold to the current 2.42 lakh card holders at the OMS price under fair price programme.

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/

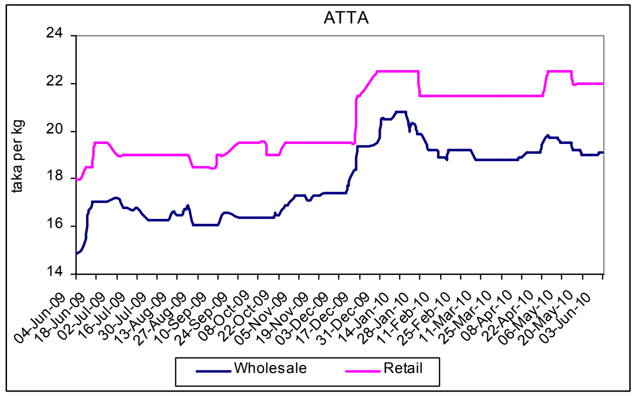
1. Domestic prices: coarse rice and atta

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)

	Price on 3/06/10 Tk/kg	change in % over last fortnight	over last month	over last year
RICE				
retail	27.50	▷ 0.0	▲ 7.8	▲ 23.9
wholesale	25.99	▲ 2.1	▲ 6.1	▲ 31.0
ATTA				
retail	22.00	▷ 0.0	▼ -2.2	▲ 16.1
wholesale	19.10	▷ 0.5	▼ -3.0	▲ 21.2

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.

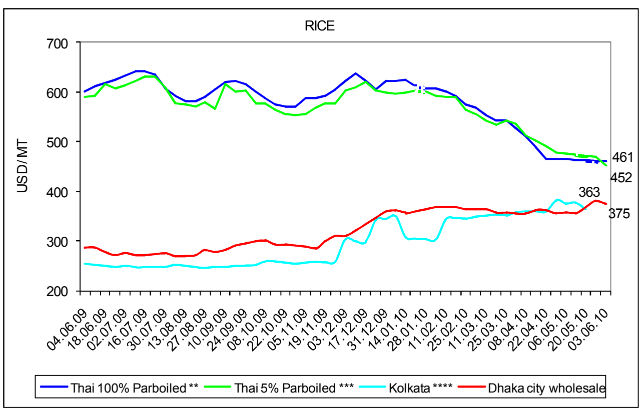
- **The Dhaka city wholesale rice price rose by 2.1%, to 26.0Tk/kg, in the fortnight ending June 3rd, while retail prices remained constant at 27.5 Tk/kg. This unusual rise in wholesale prices at the end of the boro harvest is led by the anticipation of higher prices. Prices continue to be significantly higher than a year ago, 24% and 31%, respectively, when prices had plunged dramatically.**
- **Following the fall of atta prices in the last fortnight, the retail and wholesale atta prices of Dhaka city remained overall stationary at 22.0 Tk/kg and 19.1 Tk/kg respectively over the fortnight ending June 3rd. These prices also remain 16% and 21% above prices a year ago, respectively, which compares to a 8.8% inflation rate in March (the last available data point).**

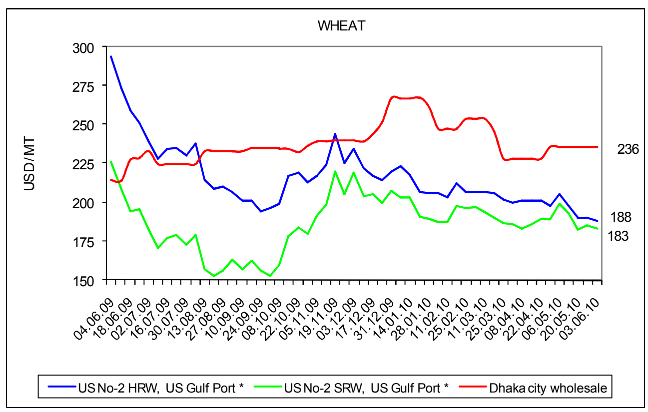
2. International prices

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 decline of the Thai 100% and 5% parboiled export rice prices observed since end of January continued in the second half of May, with a drop of 0.3% and 4.2%, down to 461 USD/MT and 452 USD/MT respectively. The Dhaka price stood at 375 USD/MT on June 3rd. The latest available price in Kolkata was 363 USD/MT on May 20th.**
- **The Thai export price decline comes as millers released their speculative stocks. Most of the millers that bought high as the harvest period began, speculating that prices would continue to rise, are suffering losses as prices have slid down since January following lower-than-expected export demand. Meanwhile, foreign demand for Thai rice remained quiet as most enquiries focused on Vietnamese rice. Indeed, the price difference between Thai and Vietnamese rice remains far above the typical $20-30/MT (USDA, 2 June).**
- **Over the the fortnight ending June 3rd, the US No-2 HRW price fell by 1.1%, down to 188 USD/MT, while the US No-2 SRW price rose a mere 0.3%, up to 183 USD/MT. On this same date, the Dhaka city wholesale price of wheat stood at 236 USD/MT.**

Box 1. International production and market prospects 2009/10

Rice and wheat production, stocks

Wheat	2008/09	2009/10 estim.	2010/11 f'cast	% change 2010/11 over 2009/10
Production	683.8	682.4	676.5	-0.9%
Ending stocks	178.1	196.1	194.1	-1.0%
Rice	**2007/08**	**2008/09 estim.**	**2009/10 f'cast**	**% change 2009/10 over 2008/09**
Production	440.2	458.0	455.5	-0.5%
Ending stocks	110.6	124.2	125.3	0.9%

Source: FAO Food Outlook, June 2010

- FAO's latest forecast of global wheat production in 2010 stands at 676 million MT, 1% down from last year, but still well above the average of the past five years. Although falling for the third consecutive year, world wheat production in 2010 is again expected to be above average and a slightly below the record set in 2008 (FAO, June).
- Wheat stocks are forecasted to decline slightly, to 194 million MT in 2011. But the wheat stock-to-use ratio in 2011 is likely to remain at its highest level since 2005/06 (FAO, June).
- FAO raised its estimate of rice production in 2009/10 to 456 million tones, substantially above the December forecast. Despite some setbacks that impaired crops in few southern hemisphere countries where the new season is more advanced, the first very tentative, forecast of global rice production in 2010/11 points to vigorous growth, as prices remain relatively attractive and governments continue to provide much support to the sector (FAO, June).
- Rice closing stocks are anticipated to rise marginally to 125 million MT in 2010, largely reflecting production surpluses in countries which harvested excellent crops (FAO, June).

RICE

- India decided not to lift its ban on non basmati rice as rice stocks are needed to counter shortfall in the Kharif marketing season 2009-10 (Commodity Online, 11 June).
- The government of India has set a target of producing more than 100 million MT of rice in 2010/11 by bringing more area under hybrid seeds (Oryza, 7 June).
- Meteorologists in Vietnam have warned of difficult times for the forthcoming rice crop, with serious droughts threatening crops at first then severe flooding afterward (VoV News, 3 June).
- Cambodia government has decided to abolish the need for rice export licenses in a bid to boost its exports (Oryza, 29 May).
- Some rice traders are recommending that a consortium of Asia producers be formed to arrest the sharp drop in Asian prices, they also feel that lifting a two-year old ban on exports of non-basmati rice would help India avoid a glut (Reuters, 27 May).
- China is ramping up research, production and training related to potatoes as these need less water to grow than rice or wheat, and yield far more calories per acre. Indeed, the challenge of feeding a growing nation on a shrinking supply of arable land while confronting severe water shortages has long been a major concern: China has to feed 1/5[th] of the world's population on 1/10[th] of its arable land, and the nation's expanding cities are consuming farmland at breakneck speed (Hindustan Times, 1 June).
- Vietnamese firms expect to sign contracts to export a total 600,000 MT of rice to African countries in May (India Info Online Limited, 27 May).

WHEAT

- Against the backdrop of an economic slowdown in many countries, the generally favourable wheat supply outlook is likely to maintain downward pressure on international prices. Large surpluses in the Black Sea region could contribute to a further drop in international prices (FAO, June).
- Low new contract, a stronger dollar, slow export demand, and expectations for a large winter crop all placed pressure on future prices with both CBOT and KBOT July prices down by 5% and 3% from the previous week, closing at 160 USD/MT and 171 USD/MT respectively (US Wheat Associates, 4 June).

Chicago Board of Trade SRW Futures (USD/MT)

Closing price	Jul-10	Sep-10	Dec-10	Mar-11	May-11
28-May	168	175	186	197	203
4-Jun	160	166	178	189	196
change	-4.8%	-4.8%	-4.4%	-3.7%	-3.4%

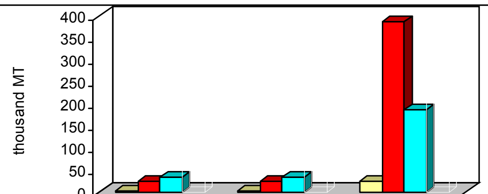
Kansas Board of Trade HRW Futures (USD/MT)

Closing price	Jul-10	Sep-10	Dec-10	Mar-11	May-11
28-May	177	181	188	194	199
4-Jun	171	175	182	188	193
change	-3.4%	-3.4%	-3.2%	-3.0%	-2.9%

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

3. Imports

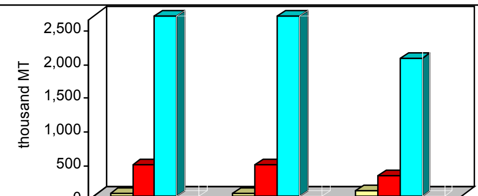
Figure 5. Rice import



	Imports as of 20 May 2010	Imports as of 03 Jun 2010	Imports as of 03 Jun 2009
Aid	3.6	3.6	27.5
Public commercial	25.4	25.4	385.1
Private	36.6	36.6	187.3
Total	65.6	65.6	599.8

Source: MIS DG Food

Figure 6. Wheat import



	Imports as of 20 May 2010	Imports as of 03 Jun 2010	Imports as of 03 Jun 2009
Aid	43.6	43.6	71.5
Public commercial	457.2	457.2	295.5
Private	2,645.8	2,756.0	2,029.5
Total	3,146.5	3,256.8	2,396.5

Source: MIS DG Food

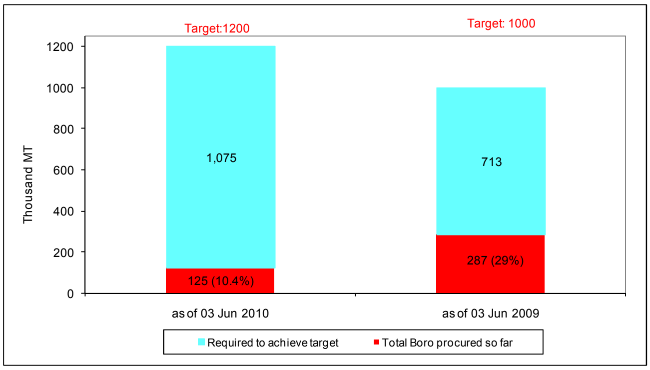
Table 2. LC situation (in '000 MT)

Period	L.C. opened ('000 Mt)		LC settled ('000 Mt)	
	Rice	Wheat	Rice	Wheat
13-20 May	70	80	2	36
Cumulative month as of 20 May	119	155	14	148
Cumulative year as of 20 May	294	3563	154	3145

- **In the fortnight ending June 3[rd], no rice was imported, leaving total imports so far this financial year to 65.6 thousand MT. At the same time last year, an exceptional year given the food price crisis, total imports of rice amounted to 600 thousand MT, 64% of which were government commercial imports.**
- **Wheat imports, on the other hand, continue to be considerably higher than last year at the same time (+36%), with 3,257 thousand MT having been imported as of June 3[rd], 85% of which by the private sector. Lower wheat prices on the international markets may partly explain this. Over the fortnight ending June 3[rd], total 110 thousand MT were imported, all by private sector.**

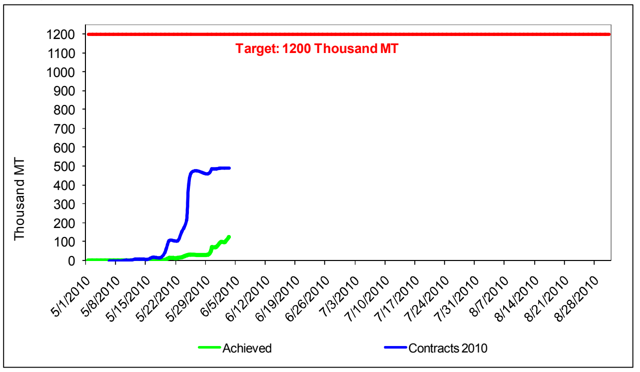
4. Boro procurement

Figure 7. Total Boro procurement



Source: MIS, DG Food

Figure 8. Boro procurement progress

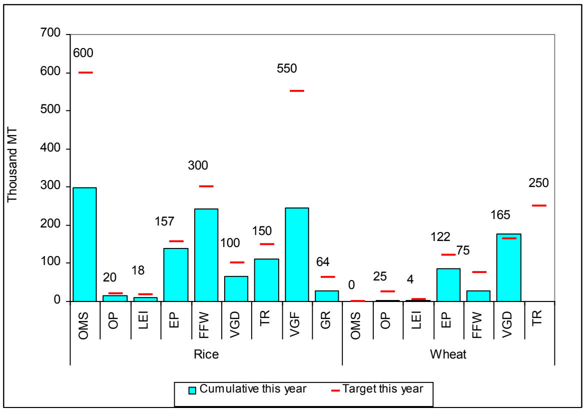


Source: MIS DG Food

- **This year's boro procurement target is 1200 thousand MT of rice at a price of 25 Tk/kg and 150 thousand MT paddy at 17 Tk/kg. The procurement started on May 1st and will last until August 31st.**
- **As of June 3rd, 125.4 thousand MT of Boro rice had been procured against 287.0 thousand MT at the same period last year, which is 11.9% and 28.7% of the respective targets.**
- **After clearly picking up at the end of May, new contracts have stalled ever since. Last year at the same time, contracts had been signed for a total of 61% of the target. This compares to 41% this year.**

5. Public distribution

Figure 9. Rice and wheat distributed through PFDS and yearly target as of May 27th , in thousand MT



Source: DG Food and FPMU
Note: Targets for different channels have been revised by the MoFDM. For example, the 100 thousand MT that had been planned for wheat OMS distribution will now be distributed as rice.

DISTRIBUTION

- **Total distribution planned for 2009/10 is 2.68 million MT compared to 2.13 million MT achieved last year.**
- **As of May 27th, 1.50 million MT of foodgrain had been distributed which amounts to 56.0% of the annual target: 65.2% for rice and 37.0% for wheat. Last year at the same time, 77.2% of the target had been met.**
- **So far this year, as of May 27th, the distribution channels that have most been used are OMS (rice) with 297 thousand MT distributed (50% of its target), FFW (rice) with 270 thousand MT distributed (90% of its target), VGF rice with 244 thousand MT distributed (44% of its target), and VGD (wheat) with 177 thousand MT distributed (107% of its target).**
- **Over the fortnight ending May 27th, 44.9 thousand MT of grain were distributed, mainly through the FFW channel (10.4 thousand MT). The rest was essentially composed of VGD and EP.**
- **In response to the rising prices, the Government launched Open Market Sales of rice on January 2nd, at the rate of 22 Tk/kg in Dhaka city as well as in Narayanganj, Narsingdi and Gazipur districts.**
- **On February 25th, 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. As of June 2nd, 4,673 MT of rice were sold to the current 2.42 lakh card holders at the OMS price.**