

Fortnightly Foodgrain Outlook

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HIGHLIGHTS

RICE PRICE

The rising price trend of rice observed since early May on the Dhaka market continues with a 1.6% and 3.3% rise in retail and wholesale prices in the fortnight ending July 15th, up to 31.5 Tk/kg and 29.8 Tk/kg respectively.

ATTA PRICE

Retail atta prices of Dhaka city remain stationary since mid-May, at 22.0 Tk/kg. Wholesale prices which had followed a similar pattern rose slightly (+1.0%) in the fortnight ending July 15th, up to 19.3 Tk/kg.

INTERNATIONAL RICE PRICE

The second half of June increase in the Thai 100% parboiled rice price which had followed a steady fall since end of January, subsided in the fortnight ending July 15th, with this price remaining static, at 495 USD/MT. Thai 5% parboiled rice which had followed a similar pattern experienced a 1.7% decline, down to 472 USD/MT, over the same period. The Dhaka price stood at 428 USD/MT on this same date while the latest available price in Kolkata is 367 USD/MT on June 17th.

INTERNATIONAL WHEAT PRICES

Following steady decline since mid May, the US No-2 HRW and US No-2 SRW wheat prices reverted strongly with a 19.3% and 18.5% rise, up to 210 USD/MT and 217 USD/MT respectively in the fortnight ending July 15th. On this same date, the Dhaka city wholesale price of wheat stood at 235 USD/MT.

RICE IMPORTS

Since the beginning of the financial year, as of July 15th, 11.6 thousand MT of rice have been imported, all by the government in the form of commercial purchases. No private imports have yet taken place.

WHEAT IMPORTS

No wheat has yet been imported this financial year as of July 15th.

BORO PROCUREMENT

As of July 15th, 328 thousand MT of Boro rice (27% of the target) had been procured against 825 thousand MT (82% of the target) at the same period last year.

PFDS

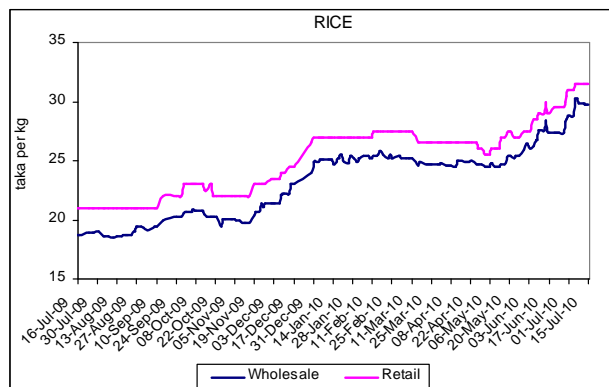
Over the fortnight ending June 30th, 198.5 thousand MT of grain were distributed, mainly through the TR (134.7 thousand MT) and FFW (44.3 thousand MT) channels. By the end of the financial year, a total of 1.96 million MT of foodgrain had been distributed which amounts to 73.4% of the annual target, against 93.2% of the target in 2008/09.

*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/>

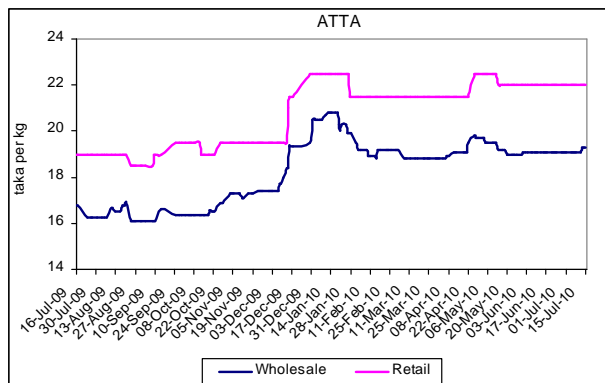
1. Domestic prices: coarse rice and atta

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)

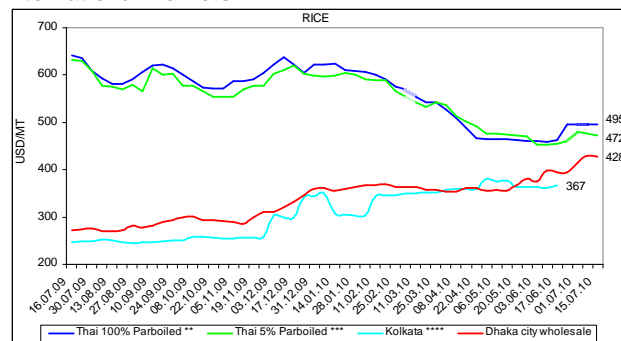
	Price on 15/07/10 Tk/kg	change in %		
		over last fortnight	over last month	over last year
RICE				
retail	31.50	1.6	8.6	49.8
wholesale	29.75	3.3	7.8	58.9
ATTA				
retail	22.00	0.0	0.0	15.8
wholesale	19.30	1.0	1.0	14.0

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 rising price trend of rice observed since early May on the Dhaka market continues with a 1.6% and 3.3% rise in retail and wholesale prices in the fortnight ending July 15th, up to 31.5 Tk/kg and 29.8 Tk/kg respectively. This unusual rise in prices at a time when the boro harvest has reached the markets is led by expectations of further price increases. The gap with prices a year ago when prices had plunged dramatically, continues to widen: retail prices are now 50% higher and wholesale prices 59% higher.
- In the fortnight ending July 15th, retail atta prices of Dhaka city remained stationary as they have done since mid-May, at 22.0 Tk/kg. Wholesale prices which had followed a similar pattern rose slightly (+1.0%) in the fortnight ending July 15th, up to 19.3 Tk/kg. These prices are also above prices a year ago (16% and 14%, respectively, which compares to an 8.5% inflation rate in April), albeit to a lesser extent than rice.

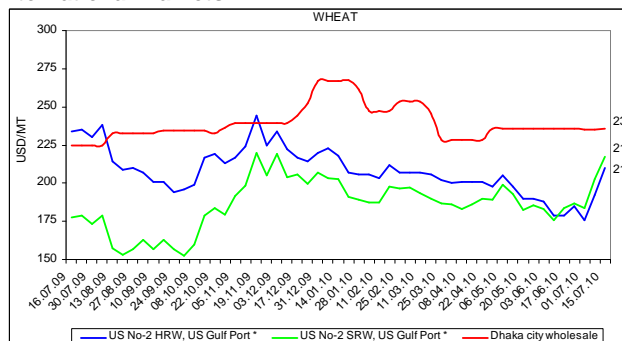
2. International prices

Figure 3. Rice 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 and Public Distribution, Department Of Consumer Affairs, Price Monitoring Cell

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



- The second half of June increase in the Thai 100% parboiled rice price which had followed a steady fall since end of January, subsided in the fortnight ending July 15th, with this price remaining static, at 495 USD/MT. Thai 5% parboiled rice which had followed a similar pattern experienced a 1.7% decline, down to 472 USD/MT, over the same period. The Dhaka price stood at 428 USD/MT on this same date. The latest available price in Kolkata is 367 USD/MT on June 17th.
- The decline in Thai rice domestic export prices is attributed to quiet foreign demand. Also, the Government is moving forward with its plan to release a portion of the intervention stock before the new main crop harvest begins in October-November (USDA, 13 July).
- Following steady decline since mid-May, the US No-2 HRW and US No-2 SRW wheat prices reverted strongly with a 19.3% and 18.5% rise, up to 210 USD/MT and 217 USD/MT respectively in the fortnight ending July 15th. On this

Box 1. International production and market prospects 2010/11**RICE AND WHEAT PRODUCTION & STOCKS**

	2008/09	2009/10 es tim.	2010/11 fcast	% change 2010/11 over 2009/10
Wheat				
Production	683.8	682.4	676.5	-0.9%
Ending stocks	178.1	196.1	194.1	-1.0%
Rice				
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 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).

WHEAT

- ❖ Wheat prices continued surging this week as extremely hot temperatures and drought conditions continued in the Black Sea region and Western Europe. Futures contracts reached a 13 month high this week following further reductions in production forecasts by many analysts for the EU, Russia, and Kazakhstan. A weaker dollar also supported prices. CBOT September contract was up 18 USD/MT on the week ending July 16th, closing at 216 USD/MT, while KBOT nearbys were up 17 USD/MT, to 220 USD/MT (US Wheat Associates, 16 July).

RICE

- ❖ The Indian Government is considering allowing export of some varieties of non-basmati rice following the request by several states. A minimum export price (MEP) could be fixed at 800-850 USD/MT for shipment of superior varieties of non-basmati rice (Business Standard, 19 July).
- ❖ In spite of the Indian's government's prediction of a record 100 million MT rice crop this year, shortfalls as high as 16% are being experienced in different parts of the country due to delays in the monsoon in some, and severe flooding in others. About 60% of India's rice depends solely on the seasonal rains. Given the large government stocks however, only a massive crop failure would have a significant positive effect on global prices (US Rice Producers' Association, 16 July).
- ❖ The Thai agriculture Ministry is asking farmers to delay planting the 2010-11 main rice crop as water levels in the country's major dams remain critically low. It is believed however that this will not affect Thai rice exports this year (Bangkok Post, 15 July).
- ❖ The ongoing prolonged spell of drought in the north-central region of Vietnam has damaged over 25,000 ha of rice so far. It is estimated that the total damage might exceed 100,000 ha (Oryza, 16 July).
- ❖ Vietnam has set a floor on rice export prices at 300 USD/MT to stem further falls in domestic prices during the peak of a major harvest. Contracts to export 5.2 million MT have been signed so far, 55 % of them company-based deals, the rest government-to-government (Oryza, 15 July).

Chicago Board of Trade SRW Futures (USD/MT)

Closing price	Jul-10	Sep-10	Dec-10	Mar-11	May-11	Jul-11
9-Jul	192	198	208	217	222	
16-Jul	216	226	234	238	240	
change		9.2%	8.7%	7.7%	6.9%	

Kansas Board of Trade HRW Futures (USD/MT)

Closing price	Jul-10	Sep-10	Dec-10	Mar-11	May-11	Jul-11
9-Jul	201	203	210	216	220	
16-Jul	220	226	232	235	238	
change		8.3%	7.8%	7.4%	7.0%	

Source: U.S. Wheat Associates Weekly Price Report

Conversion rates: 1USD/bu = 36.743 USD/MT

3. Imports**Table 2. Rice import**

Rice	Imports as of 1 Jul 2010	Imports as of 15 Jul 2010	Imports as of 15 Jul 2009
Government imports	0.0	11.6	0.9
<i>Aid</i>	0.0	0.0	0.0
<i>Public commercial</i>	0.0	11.6	0.9
Private	0.0	0.0	0.0
Total	0.0	11.6	0.9

Source: MIS DG Food

Table 3. Wheat import

Wheat	Imports as of 1 Jul 2010	Imports as of 15 Jul 2010	Imports as of 15 Jul 2009
Government imports	0.0	0.0	0.0
<i>Aid</i>	0.0	0.0	0.0
<i>Public commercial</i>	0.0	0.0	0.0
Private	0.0	0.0	46.8
Total	0.0	0.0	46.8

Source: MIS DG Food

Table 4. LC situation (in '000 MT)

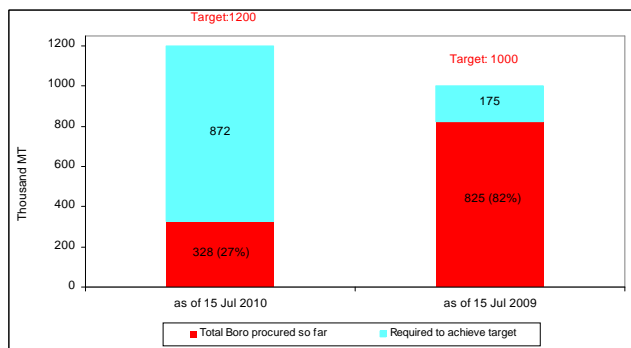
Period	L.C. opened ('000 Mt)		LC settled ('000 Mt)	
	Rice	Wheat	Rice	Wheat
18-30 Jun	53	117	58	54
Cumulative month as of 30 Jun	114	347	81	109
Cumulative year as of 30 Jun	427	3990	260	3303

No updates for the LC situation for the new financial year are available yet.

- Since the beginning of the financial year, as of July 15th, 11.6 thousand MT of rice have been imported, all by the government in the form of commercial purchases. No private imports have yet taken place. At the same time last year, total imports of rice amounted to 0.9 thousand MT, all were government commercial imports.
- No wheat has yet been imported this financial year as of July 15th. At the same time last year, 46.8 thousand MT had been imported, all by the private sector.

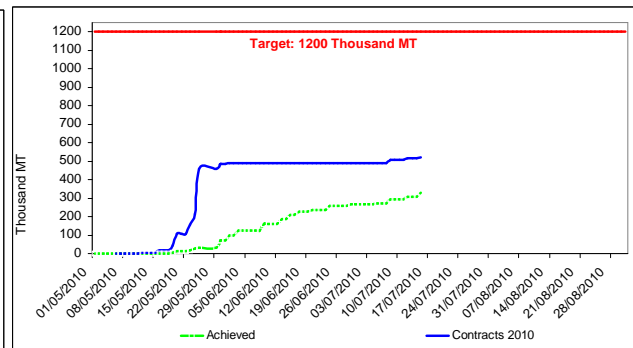
4. Boro procurement

Figure 5. Total Boro procurement



Source: MIS, DG Food

Figure 6. Boro procurement progress

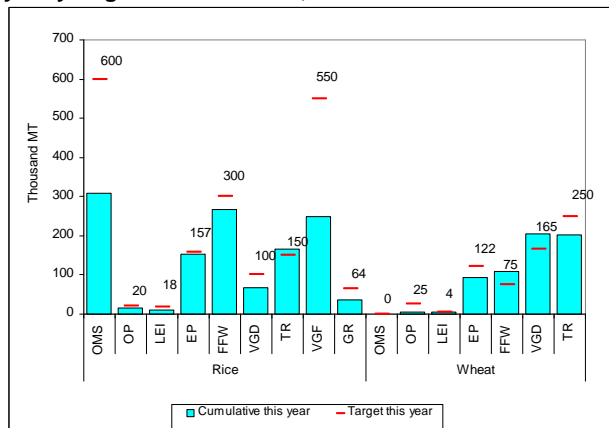


Source: MIS DG Food

- 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 is to last until August 31st.
- As of July 15th, 328 thousand MT of Boro rice (27% of the target) had been procured against 825 thousand MT (82% of the target) at the same period last year. Higher market prices against procurement prices explain this low procurement. In reaction to this, the government announced a three taka increase in the procurement price on July 1st as cash incentive. As of July 15th however, this had had no positive impact on contracts.
- After clearly picking up at the end of May, new contracts with millers have stalled ever since. Last year at the same time, contracts had been signed for a total of 88% of the target. This compares to 43% this year.

5. Public distribution

Figure 7. Rice and wheat distributed through PFDS and yearly target as of June 30th, 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.

- Total distribution planned for 2009/10 was 2.68 million MT compared to 2.13 million MT achieved last year.
- As of June 30th, 1.96 million MT of foodgrain had been distributed which amounts to 73.4% of the annual target: 72.7% for rice and 75.0% for wheat. Last year at the same time, 93.2% of the target had been met.
- As of June 30th, the distribution channels that have most been used are OMS (rice) with 309 thousand MT distributed (51% of its target), VGF rice with 248 thousand MT distributed (45% of its target), FFW (rice) with 267 thousand MT distributed (89% of its target) and VGD (wheat) with 206 thousand MT distributed (125% of its target).
- Over the fortnight ending June 30th, 198.5 thousand MT of grain were distributed, mainly through the TR (134.7 thousand MT) and FFW (44.3 thousand MT) channels. The rest was essentially composed of VGD, GR and EP.
- The National Budget for 2010/11 has allocated taka 5726.25 crore to social protection food-based programmes, a 16.1% increase from the 2009/10 revised budget.